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Financial Condition of Medical Malpractice JUAs

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Executive Summary

The financial condition of ten medical malpractice JUAs established in the late 1970s is of continuing concern to the property/casualty insurance industry. These JUAs provide professional liability coverage for health care providers in Florida, Kansas, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, South Carolina, Texas, and Wisconsin. Based on their 1986 results, only one, Pennsylvania, reported a statutory surplus. Florida and Kansas each reported a zero dollar surplus. The other seven reported statutory deficits ranging from $2.9 million in Texas to $710 million in Massachusetts. In the seven states with deficits, insurers can be assessed to cover the deficits, although to date no JUA, except Texas, has assessed insurers.

In response to this and other concerns, the National Coordinating Committee on Medical Malpractice JUAs was reactivated in 1985. The Committee was originally created in the late 1970s to assist the fledgling medical malpractice JUAs and later deactivated. Upon reactivation, the Committee established the Financial Data Subcommittee to examine the financial condition of medical malpractice JUAs. The Subcommittee was specifically charged to collect data on the financial condition of each JUA and to issue a report accurately reflecting each JUA's financial condition. In the Fall of 1986, the Subcommittee began its first study. Data was collected from the JUAs, and a report was published in June 1987 entitled, *Financial Condition of Medical Malpractice JUAs.* The major finding was that the invested assets of five JUAs were insufficient to pay all existing claim liabilities even after taking into consideration the investment income expected to be earned on those invested assets.

In the Summer of 1987, the Subcommittee decided to update the earlier report using 1986 data. As with the first study, the amount of data supplied by the JUAs varied resulting in the analysis not being a thorough for some JUAs. The analysis for each JUA concentrates on assets, cash flow, statutory reserves, discounted reserves, and rate filing history.

The results of this study that are based on the discounted reserves need to be interpreted as conservative results in that the discounted reserves are very sensitive to the assumptions behind the discounting. If the assumptions behind the discounting prove to be optimistic, JUAs appearing to have sufficient funds to pay claim liabilities may not, and JUAs appearing to have insufficient funds to pay claim liabilities will have even larger shortages.

Major Findings

- The same five JUAs, Massachusetts, New Hampshire, New York, Rhode Island, and South Carolina, that in 1985 were estimated to have insufficient funds to pay all existing claim liabilities even after taking into consideration the investment income to be earned on current assets, continue to have insufficient funds. The deficiency in Massachusetts doubled from $182.3 million in 1985 to $365.3 million in 1986. The deficiency in the New York JUA increased from $4.4 million to $132.5 million. The deficiency in Rhode Island increased from $78.5 million to $81.2 million. The deficiencies in the other two states declined somewhat in 1986.

Deficiency in Millions

JUA	1986	1985
Massachusetts	$365.3	$182.3
New York	132.5	4.4
Rhode Island	81.2	78.5
New Hampshire	6.3	10.3
South Carolina	3.5	4.1

The deficiencies will increase if current reserves are understated, current investment yields are not maintained, claims are paid sooner than expected, or if securities have to be sold for less than full value.

The other five JUAs, Florida, Kansas, Pennsylvania, Texas, and Wisconsin, appear to currently have sufficient funds to pay existing claim liabilities if future investment income expected to be earned on current funds is taken into consideration. Deficiencies, however, could quickly develop for any of these JUAs if reserves are understated, current investment yields are not maintained, claims are paid sooner than expected, or if securities have to be sold at less than full value in order to pay claims.

Additional Findings

Other findings include:

- Market Share - The market share for most JUAs did not change significantly between 1985 and 1986. Three JUAs, Florida, New York, and Wisconsin, saw their market shares almost double.

Market Share

JUA	1986	1985
Florida	10.5%	5.5%
Kansas	3.1%	3.8%
Massachusetts	69.0%	73.0%
New Hampshire	53.2%	56.1%
New York	21.6%	12.5%
Pennsylvania	3.4%	3.2%
Rhode Island	82.6%	87.4%
South Carolina	47.0%	52.4%
Texas	13.2%	11.8%
Wisconsin	34.8%	20.7%

- Assets - Government bonds usually comprise the major share of JUA invested assets. The balance of the invested assets is almost always in cash and in short-term investments. Little change in the portfolio distribution occurred between 1985 and 1986 except in Wisconsin.

Portfolio Distribution
Bonds

JUA	1986	1985
Florida	95%	88%
Kansas	0%	0%
Massachusetts	97%	97%
New Hampshire	70%	74%
New York	94%	92%
Pennsylvania	94%	87%
Rhode Island	86%	86%
South Carolina	88%	96%
Texas	91%	81%
Wisconsin	90%	54%

- Investment Yields - The investment yield for all JUAs, except South Carolina and Wisconsin, dropped between 1985 and 1986.

Investment Yield

JUA	1986	1985
Florida	8.7%	10.6%
Massachusetts	9.4%	10.7%
New Hampshire	7.8%	9.9%
New York	8.5%	11.2%
Pennsylvania	7.7%	9.0%
Rhode Island	8.7%	9.0%
South Carolina	10.6%	10.6%
Texas	9.0%	10.3%
Wisconsin	8.5%	8.1%

- Cash Flow - All JUAs reporting 1986 data had positive cash flow. Five states, Florida, Pennsylvania, Rhode Island, Texas, and Wisconsin, had improved cash flow while the other states had lower cash flow.

Cash Flow
($ in Thousands)

JUA	1986	1985
Florida	$13,270	($ 1,062)
Kansas	N/A	($ 1,937)
Massachusetts	$11,089	$32,012
New Hampshire	$ 6,873	$ 8,954
New York	$30,452	$77,942
Pennsylvania	$ 3,502	$ 3,167
Rhode Island	$13,368	$ 6,000
South Carolina	$ 616	$ 1,446
Texas	$ 9,677	$ 4,627
Wisconsin	$ 4,787	($ 724)

- Developed Reserve - Reserve developments indicate that the initial accident-year loss and loss adjustment expense reserves established by the JUAs have almost always proved to be too low.

Reserve Development
($ in Millions)

JUA	Total Deficiency Since Inception	Deficiency as % of Original Reserve
Florida	$ 32.1	40.2%
New Hampshire	($ 4.1)	(9.1%)
New York	$190.9	27.6%
Rhode Island	$ 16.8	10.2%
South Carolina	$ 6.5	12.8%
Texas	$ 26.7	25.7%

Introduction

In response to the medical malpractice crisis of the mid-1970's, many states enacted laws allowing the insurance commissioner to establish a JUA if the commissioner deemed it necessary in order to provide medical malpractice coverage for health care providers. Ten of the medical malpractice JUAs established in the late 1970's still offer coverage to health care providers. These JUAs exist in Florida, Kansas, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, South Carolina, Texas, and Wisconsin. The market shares for these JUAs range from 3% to more than 80%. Virginia, Minnesota, and Puerto Rico established medical malpractice JUAs in 1986, but they are not included in this study because of their recency.

When the National Coordinating Committee on Medical Malpractice JUAs was reactivated in 1985, one of its main concerns was the financial stability of the medical malpractice JUAs. All states except Kansas and Pennsylvania currently have provisions to assess insurers to cover unfunded JUA liabilities. A review of the JUA 1986 statutory results below illustrates the potential magnitude of the possible assessments. The deficits ranged from more than six million to several hundred million dollars.

In response to this concern, the Committee created the Financial Data Subcommittee charging it with the responsibility of collecting data on the financial condition of each medical malpractice JUA and issuing a report accurately reflecting each JUA's financial condition.

After reviewing existing public documents including annual statements and financial reports, the Subcommittee concluded that additional data was needed to fulfill its charge. To this end, the Subcommittee designed a survey to collect data regarding historical claim payments, anticipated reserve runoff, reserve development, claim detail, investment data, and rate filing history in addition to selected annual statement data items. The form was sent to each of the ten JUAs. Six JUAs, Florida, New Hampshire, New York, Rhode Island, South Carolina, and Texas, completed and returned the entire questionnaire. For various reasons the remaining four JUAs, Kansas, Massachusetts, Pennsylvania, and Wisconsin, supplied only annual statement data. The data was analyzed and the results were reported in *Financial Condition of Medical Malpractice JUAs*.

Subsequently, the JUAs (except Kansas which had no more recent data) were requested

Statutory Balance Sheet for Medical Malpractice JUAs

(dollars in thousands)

State	Statement Date	Assets	Liabilities	Statutory Surplus
Florida	12/86	$ 50,248	$ 50,248	$ 0
Kansas	6/86	5,895	5,895	0
Massachusetts	12/86	362,239	1,072,773	(710,534)
New Hampshire	12/86	35,237	61,768	(26,531)
New York	12/86	528,790	1,037,234	(508,504)
Pennsylvania	12/86	53,549	52,853	696
Rhode Island	12/86	68,492	227,817	(159,326)
South Carolina	6/86	19,777	40,101	(20,325)
Texas	12/86	100,911	103,784	(2,873)
Wisconsin	12/86	74,503	99,040	(24,537)

to submit similar data for 1986. The response was similar with the addition of Wisconsin supplying more claim data. This report analyses that data.

The analysis for each JUA concentrates on:

- Assets - including portfolio mix, investment quality, yield, and bond maturity.

- Cash Flow - including income and expenditure components.

- Statutory Reserves - including pending claim reserves (reserves for claims actually reported to the JUAs, but not yet settled) IBNR claim reserves, loss adjustment expense reserves, pending claims, average pending claim size, and developed reserve as of the latest valuation date.

- Discounted Loss and Loss Adjustment Expense Reserves - Including comparison to invested assets. and an estimate of when invested assets can be expected to be exhausted if (1) the discounted reserve is larger than the invested assets and (2) the JUA has no additional income.

- Rate Filing History - including a comparison of requested rate changes to approved rate changes.

The most critical part of the analysis is the discounting of loss and loss adjustment expense reserves. Discounting provides an estimate of the current amount of funds which if invested will be sufficient to pay current liabilities as they become payable in the future. If the discounted value is less than current funds, all future payments can be expected to be made. If the discounted value is greater than current funds, funds can be expected to be exhausted before all claims are paid. In the latter case, insurers may have to provide the additional money to pay the claims.

Four critical assumptions are inherent to discounting. The discounting assumptions are:

- The total loss and loss adjustment expense reserve is adequate. This may be an optimistic assumption given that, historically, initial reserves have proved to be inadequate. If current reserves are inadequate, the discounted value of the future payments is understated.

- The reserve runoff will occur as predicted. If claims are paid sooner than expected, the discounted reserve will be understated.

- The embedded yield (weighted average return) on the bond portfolio will be obtained throughout the runoff period. This assumption may be somewhat optimistic. For most states the current embedded yields are 8%-9%. The bonds for most JUAs will mature before the funds are needed to pay claims. The funds, therefore, will have to be reinvested. If the yields then available are less than current embedded yields, the JUAs will not be able to reinvest the funds at rates sufficiently high enough to maintain the current embedded yield. If the JUAs cannot maintain their current embedded yields, the discounted reserve will be understated.

- The JUA will be able to obtain full value for its bonds. For most JUAs, bond maturity is sooner than when liabilities are due. Over the next two or three years most JUAs should receive full value for their current bond holdings. If JUAs reinvest in securities that mature as liabilities fall due, they should receive the full value of their investments. If they do not reinvest so that maturities match when liabilities are due, they may have to sell securities at less than their full value. The discounting assumes bond maturity will match when liabilities are due.

Understated discounted reserves will have a negative impact on results. If a JUA appears to have sufficient funds to pay claim liabilities, the funds may not be sufficient if discounted reserves are understated. If a JUA appears to have insufficient funds to pay claim liabilities, the deficiency will be larger if discounted reserves are understated.

The discounted reserve is compared to invested assets in order to determine if assets on hand are sufficient to meet the future runoff. Other assets exist, usually premium balances and accrued interest which, when received, would be available for investment purposes or the payment of claims. Invested assets are used because they represent funds the JUAs actually hold.

The remainder of the report contains three sections. Immediately following is the detailed analysis of each JUA. This section contains a separate analysis of each JUA. The next section contains exhibits displaying the 1986 data referred to in the first section. Each exhibit contains data for all JUAs in order to facilitate comparisons. The last section contains exhibits from the first study displaying 1985 data.

Florida Medical Malpractice JUA

History

The Florida JUA was activated July 1, 1975. Members include all liability insurers, medical malpractice insurers, and certain self-insurers. The JUA was established to provide coverage for all health care providers. The JUA currently has 10.5% of the medical malpractice market share based on premiums (Exhibit 1) which is about double the 5.5% share in 1985.

Funding and Deficit Provisions

Funds for the JUA come from 1) policyholder premiums, 2) policyholder assessments, and 3) member assessments. If a deficit occurs, policyholders could be assessed up to one-third of their annual premium. If this assessment is not sufficient to cover the deficit, insurer members are assessed based on their total premium volume in the state. There is no provision for the insurers to recoup their assessment.

Balance Sheet

As of year-end 1986, the Florida JUA balance sheet showed assets and liabilities of $50.2 million resulting in no surplus. (See Exhibit 2). These figures are up more than a 30% from 1985. The Florida JUA accounting procedures are unique in that the unearned premium reserve includes not only the traditional unearned premium reserve but also any refund due the policyholders or any deficit accrued by the JUA. As a result, the JUA always has a surplus of zero. These accounting principles are prescribed by the insurance department.

Assets

Of the $50.2 million in assets, $47.1 million are invested. (See Exhibit 3). Of this amount, $44.8 million is invested in bonds. The balance, $2.3 million, is held in cash. The bonds have an embedded (weighted average) yield of 8.69%, which is down almost 2 points from 1985. Most of the bonds, $25.5 million, are government bonds. The balance of $19.3 million is non-government bonds. Of this amount all but $1 million is rated A or better by Moody. Premium balances, $2.3 million, and interest income due and accrued, $0.8 million, comprise the non-invested assets of the JUA.

Cash Flow

In 1986, the Florida JUA had a $13.3 million positive cash flow (Exhibit 4) which was up substantially from the negative $1.0 million in 1985. The increase is due to premiums being up substantially while paid claims declined. JUA income totaled $24.7 million with $20.7 million from premiums ($8.0 million in 1985) and $4.0 million from investment income ($5.2 million in 1985). Expenditures were $11.5 million of which $4.3 million went for claim payments ($9.3 million in 1985), $5.2 million went for loss adjustment expenses ($4.0 million in 1985) and $2.0 went for other expenses ($0.8 million in 1985).

Statutory Reserves

As of year-end 1986, the JUA reported loss and loss adjustment expense reserves of $51.5 million (Exhibit 5), up 64.0% from 1985. Almost $38 million of this amount was for claim reserves, and $13.5 million was for loss adjustment expense reserves. Claim reserves are up 59.4%, while loss adjustment expenses are up 80.0%. The claim reserve is comprised of two segments - $22.7 million for pending claims (i.e., claims reported to the JUA that are not yet settled), $15.3 million is for IBNR claims. The 1986 IBNR is more than three times the 1985 IBNR reserves, while the pending reserve is up 20.0%.

Reserve Development

In 1986, reserves for claims incurred prior to fiscal year 1986 were increased $4.5 million. (See Exhibit 7A). Reserves for fiscal accident-years ending 1976-1979 were increased between $100-$150 thousand for each year. Reserves for fiscal accident-years ending 1980-1983 were increased between $640-$700 thousand for each year. For fiscal accident-years ending 1984-1986, reserves were increased between $400-$500 thousand for each year.

Accident-year reserve developments in Florida have been very unusual compared to other JUAs studied in that the original accident-year reserves have ranged from $2.5 million too high to $14.9 million too low. There has also been a substantial fluctuation from year to year in the size of the developed accident-year reserve. A developed accident-year reserve is the accident-year reserve that would have been established at the end of the accident-year if what is known now about actual payments and current reserve estimates had been known at the time the accident-year reserve was established. The developed accident-year reserve is the sum of the payments since the end of the accident-year for claims incurred in the accident-year plus the current reserve on claims incurred in the accident-year.

For the first fiscal year, 1975-1976, the developed reserve is estimated to be $7.4 million. The developed fiscal accident-year reserve fell for the next two years to $6.4 million and then rapidly increased over the next four years to $19.3 million in 1982. Subsequently, the developed fiscal accident-year reserve fell to $7.4 million in 1985, while the 1986 fiscal accident-year reserve is again up to $10.7 million. A detailed analysis of the number of claims, number of insureds, and the size of the claims for each of those years would be necessary in order to understand this substantial variation in the developed accident-year reserves.

Claim Payout

The median time to pay half of the ultimate incurred losses (the total amount expected to be paid for any accident-year) in Florida changed little in 1986 (3.0 years in 1986 vs 3.1 years in 1985), and is still the shortest of any state. (See Exhibit 8). Despite the unusual accident-year reserve development, the payout pattern has been consistent for most years. (See Exhibit 9A). For most years the median time is between 2.9 and 3.0 years. The consistency, however, is largely due to the estimated reserve runoff patterns being the same for each accident-year. Only after several more years have passed will changes in the runoff patterns be seen.

Discounted Reserves

With $47.1 million in invested assets and $51.5 million in outstanding claims, it would appear that the JUA does not have sufficient funds to meet its obligations. Considering the investment income to be earned on the invested assets, however, the JUA may have enough to meet its obligations.

Assuming (1) the current reserve estimate is adequate, (2) the estimated runoff pattern is reasonably accurate, (3) investments will continue to earn their current rate, and (4) full value of the invested assets will be received if forced to sell before maturity, an estimate of how much has to be set aside today in order to meet those loss payments and loss adjustment expense payments can be made. The amount to set aside, or present value, is $42.9 million or $4.2 million less than the invested assets. (See Exhibit 10). It would appear, therefore, that if all the assumptions prove to be accurate, invested assets in the Florida JUA are sufficient to meet future payment obligations.

If these assumptions, however, do not hold, the JUA may not have sufficient funds. For instance, if reserves prove to be inadequate by as little as 10% (the amount reserves were strengthened in 1986), the $4.2 million cushion is eliminated, and the value of the current investments plus investment income would be insufficient by $100,000 to pay current obligations. If the JUA can not maintain its current embedded yield of 8.69% and realizes 7.5% instead, the cushion drops to $3.2 million. If both happen, the cushion would disappear, and the value of current invested assets plus future investment income would be $1.2 million short of covering current obligations.

Rate Filing

The Florida JUA has always received timely approval for requested rate changes except for 1986. (See Exhibit 12A). For the years 1978 to 1980 physician and surgeon rates decreased, although physician and surgeon rates increased annually from 10% for 1981 to 77.6% for 1984. For 1985, the filed and approved rate increase was 46.4%. For 1986, a 20% increase was requested, but only 10% was approved. The rate filing history for hospitals and other facilities is similar to that for physicians. Rates decreased between 1978 and 1980 and then increased substantially. For 1986, a 99% increase was requested, but only 45% was approved.

Conclusion

The financial condition of the Florida JUA is not strong. If reserves are discounted, current invested assets are sufficient to cover the existing claim liability. If current yields aren't maintained and reserves are inadequate, current invested assets will not be sufficient to cover existing claim liabilities.

Kansas Medical Malpractice JUA

The latest available information is for the fiscal year ending June 30, 1986, which was reported and analyzed in the original report. What follows is taken from the original report.

History

The Kansas JUA became operational July 1, 1976. Members include all liability insurers. The JUA was established to provide insurance to all health care providers in the state. The JUA currently writes about 3% of the medical malpractice market based on premium volume. (See Exhibit 1).

Funding and Deficit Provisions

Funding is from three sources: 1) policyholder premiums, 2) Health Care Stabilization Fund, and 3) taxpayers. If a deficit occurs in the JUA, the Health Care Stabilization Fund, financed through service charges on health care provider annual premiums, is responsible for the deficit. If the Health Care Stabilization Fund cannot cover the deficit, the state general fund is to cover the deficiency. Any amount transferred from the state to the fund is supposed to be repaid. To date, the Stabilization Fund has had sufficient funds to meet the JUA deficit. This study did not collect financial information on the Stabilization Fund.

Balance Sheet

For the fiscal year ending June 30, 1986, the JUA reported assets of $5.9 million with an equal amount of liabilities. (See Exhibit 2). The JUA accounting practices report as an asset the money due from the Stabilization Fund in the case of a deficit. In the case of a surplus, the surplus is listed as a liability due the Stabilization Fund. As a result, the surplus is always zero.

Assets

The JUA invests $5.8 million of the $5.9 million in assets. (See Exhibit 3). About $4.7 million is invested in short-term treasury notes with the balance of $1.1 million held in cash. The $0.1 million not invested is in interest income due and accrued.

The JUA reported only limited annual statement data. Consequently, investment yield and bond maturity data are not available.

Cash Flow

Cash flow was a negative $1.9 million for the year ending June 30, 1986. (See Exhibit 4). Income from all sources amounted to $1.3 million with $1.0 million from premiums and $0.3 million from investment income. Expenditures amounted to $3.3 million of which $2.4 million went for paid claims, $0.5 million went for loss adjustment expenses, and $0.4 million went for operating expenses.

Statutory Reserves

The $4.9 million loss and loss adjustment expense reserve is comprised of $3.5 million for loss reserves and $1.4 million for loss adjustment expense reserves. (See Exhibit 5). The loss reserves, in turn, are comprised of $3.2 million for pending claims and $0.3 million for IBNR claims. The average reserve value for the 85 pending claims is $37,000.

Pending Claims

Typically, medical malpractice claims are reported long after the medical procedure responsible for the injury took place. Consequently, the number of pending claims for recent years is usually less than the number of pending claims for earlier years. The highest number of pending claims is usually for the year three or four years prior to the current year. The number of pending claims for even earlier years usually declines steadily.

This description of the usual pending claim pattern does not hold for Kansas. The number of pending claims is highest in the most recent year, 1985. The number of pending claims rapidly declines suggesting a relatively fast runoff. (See Exhibit 6).

Discounted Reserves

Although the estimated reserve runoff was not supplied (Kansas supplied only annual statement data), a rough estimate of the discounted reserve can be made. As noted above, the Kansas claims may runoff faster than medical malpractice claims in other states. Of the states supplying estimated runoff data, those with the fastest runoff, Florida, New Hampshire, South Carolina, and Texas, have discounted reserves equal to approximately 70% of the statutory reserves. Applying this factor to the Kansas statutory reserve, the estimated discounted reserve would be $3.4 million. The discounted reserve is $2.4 million less than the invested assets. (See Exhibit 10). If the Kansas runoff is faster than in other states, the discounted reserve would be higher and the difference between the discounted reserve and invested assets smaller. If this difference is regarded as a cushion to cover the possibility that loss reserves prove to be deficient, then the reserve could be deficient by as much as 50%, and the Kansas JUA would still have sufficient funds to cover the shortage.

Conclusion

As long as the Health Care Stabilization Fund continues to cover the JUA's deficit, the JUA should be financially sound. An additional cushion is the investment income to be earned from invested assets. As presently structured, insurers are not subject to assessment even if the JUA and/or the Stabilization Fund should encounter financial difficulty.

Massachusetts Medical Malpractice JUA

History

The Massachusetts JUA became operational June 19, 1975. Membership includes all personal liability insurers, including motor vehicle insurers and multiple-peril writers. The JUA offers coverage to all physicians, hospitals, and other health care providers. The JUA wrote 69.0% of the medical malpractice coverage in the state in 1986 (Exhibit 1), down slightly from 73.0% in 1985.

Funding and Deficit Provisions

Funding is provided from policyholder premiums and member assessments. If a deficit occurs in the JUA, a pro-rata assessment, based on total member premiums, up to a maximum of 1% of the insurer's surplus can be assessed. A recoupment provision provides that insureds covered by any medical malpractice liability policy issued in the state can be assessed or can have their premiums increased in order to reimburse insurers for their JUA assessment.

Balance Sheet

As of year-end 1986, the Massachusetts JUA reported assets of $362.2 million and liabilities of $1.1 billion, resulting in a deficit of $710.5 million. (See Exhibit 2). Assets were up 10% from 1985 while liabilities were up 15%. The deficit increased over $100 million during 1986.

Assets

Of the $362.2 million in assets, $344.4 million is invested. (See Exhibit 3). Almost $332.6 million is invested in bonds, $2.8 million is invested in short-term securities, and $9.0 million is held in cash. Non-invested assets amount to $17.9 million of which $9.2 million is in premium balances and $8.6 is due from interest income accrued. Bond maturity averages 10.3 years. While no data was provided on bond yields, the overall investment yield (investment income divided by invested assets) is 9.4%.

Cash Flow

Despite the tremendous deficit, the cash flow was still a positive $11.1 million in 1986 (Exhibit 4), down substantially from $32.0 million in 1985. Income from all sources, except realized capital gains, amounted to $87.4 million of which $55.0 million came from premiums and $32.4 million came from investment income. Corresponding 1985 figures were higher, premiums $59.0 million, investment income $32.9 million. Expenditures amounted to $76.3 of which $56.7 million went for claim payments, $12.7 million went for loss adjustment expenses, and $6.9 million went for operating expenses. Corresponding 1985 figures were lower, claim payments $43.4 million, loss adjustment expense $10.2 million, operating expenses $6.3 million. For 1986, the $11.1 million positive cash flow does not take into consideration $18.7 million in net realized capital gains. The Massachusetts JUA was the only JUA, except for New York, to have realized capital gains of more than a few hundred thousand dollars. Realized capital gains are not reflected in this cash flow analysis because they are one-time occurrences and cannot be relied upon from year to year.

Statutory Reserves

The JUA reports $1.0 billion in loss and loss adjustment expense reserves as of year-end 1986. (See Exhibit 5). Of this amount, $734.0 million is for loss reserves and $296.8 million is for loss adjustment expense reserves. Loss reserves are up 18% from 1985, while loss adjustment expense reserves are up 10%. The loss reserves are comprised of $304.4 million for pending claims and $429.6 million for IBNR claims. The $304.4 million is intended to cover the 3,198 pending claims with an average reserve of $95,185. While the number of pending claims is down 13.2%, the average reserve is up 34.4% from $70,802 in 1985.

Pending Claims

The Massachusetts JUA has the largest number of pending claims of any medical malpractice JUA. The increasing number of pending claims by accident-year from 1986 back to 1983 is indicative of the late reporting of claims. The large number of pending claims for the earliest accident years is indicative of the long time it takes to resolve some claims. As would be expected, the pending claims go all the way back to the inception year 1975. (See Exhibit 6).

Discounted Reserves

The JUA did not supply information on its anticipated reserve runoff. It supplied only annual statement data. The pending claim distribution is similar to that of Rhode Island. If the reserve runoff is similar to Rhode Island and assuming Massachusetts will continue to earn 9.4% on investments, the discounted reserve for the Massachusetts JUA would be $709.6 million. This amount is $365.3 million more than the current value of the invested assets. (See Exhibit 10).

If the above assumptions are not accurate, the shortage could be even larger. If the runoff pattern is shorter by one year, the shortage would increase to $425.9 million. If investments should earn only 7.5%, the shortage would be $414.5 million. If reserves are 20% inadequate, the shortage increases to $507.0 million. Taking all three modifications together, (claims paid one year sooner, 7.5% investment yield, and 20% reserve deficiency), the shortage would be $659.1 million or almost as much as the statutory deficit. Thus, regardless of the reasonable assumptions used, current invested assets are hundreds of millions of dollars short of being able to pay current liabilities, even considering investment income.

Rate Filing

Prior to 1983, the JUA received 3 rate increases, 7.3% for 1977, 10% for 1980, and 9.1% for 1982. (See Exhibit 12B). For 1983, the JUA requested a 162% increase and received approval for 42%, which was appealed.

Subsequently, the JUA refiled for a 188% increase for 1983 and also filed for a 41.6% increase for 1984. In June 1986, the JUA received approval for a 68.1% increase for 1983 and 10.9% for 1984. These increases are to be collected over a [illegible] year period which began in July 1987. The JUA filed for a 71.6% increase for 1985 and received approval for 23.6% in March 1987, also to be collected over a five year period. For 1986, the JUA requested a 10.3% increase and received approval for 8.7% in March 1987. Also in March 1987, the JUA received a 6.5% rate increase for 1987 rates after requesting 10.0%.

Conclusion

Even considering future investment income, the Massachusetts JUA has a deficit of at least $365.2 million and possibly much more. Sooner or later this unfunded liability will have to be paid. If the JUA is unable to raise this money from policyholders, the members of the JUA could be assessed millions of dollars. Whether rate increases can be implemented to allow insurers to recoup the assessments is yet to be determined.

New Hampshire Medical Malpractice JUA

History

The New Hampshire Medical Malpractice JUA began operating October 1, 1975. Members include all liability insurers in New Hampshire. The JUA was established to provide coverage for physicians, hospitals, and other health care providers. In 1986 the JUA wrote an estimated 53.2% of the medical malpractice market based on premium volume. (See Exhibit 1). The market share was down slightly from 56% in 1985.

Funding and Deficit Provisions

Funding is provided from (1) policyholder premiums, (2) member assessments, and (3) policyholder surcharges.

Legislation, effective in 1986, altered the funding mechanism for covering JUA deficits. The legislation established two funding mechanisms, one for deficits from business written after January 1, 1986, and another for deficits on business written prior to January 1, 1986.

For deficits on business written after January 1, 1986, members will be assessed based on the percentage of premium they write in the state. The companies, however, may be reimbursed under one of two plans approved by the commissioner. One plan allows insurers to surcharge all health care providers up to a maximum of 100% of their premium for each policy year. In the event the assessment is greater than $10,000, the payment may be applied over a period of up to three years. The second option would allow insurers to surcharge future liability insurance policies which form the basis of the member's participation in the JUA provided that the surcharge does not exceed 3% of the premium per year.

A Stabilization Reserve Fund is created for deficits prior to January 1, 1986. Initial funding for the Stabilization Reserve Fund comes from a surcharge of 15% on the annual gross premium charged for primary medical liability coverage. If the Stabilization Reserve Fund reserve is not sufficient to cover the deficit, the commissioner shall impose a surcharge not to exceed 2% of the annual premium on policies issued or delivered in the state for the lines of business which form the basis for the insurer's participation in the JUA.

Balance Sheet

As of year-end 1986, the JUA reported assets of $35.2 million including $0.9 million from the Stabilization Reserve Fund, liabilities of $61.8 million with a resulting deficit of $26.5 million. (See Exhibit 2). The deficit is divided $25.0 million for policies issued prior to January 1, 1986 and $1.5 million for policies issued after January 1, 1986. Assets are up $7.9 million from 1985. Liabilities are up $6.4 million compared to 1985 resulting in the deficit declining $1.6 million from 1985.

Assets

Of the $35.2 million in assets, the JUA invested $31.8 million. (See Exhibit 3). The investments include $22.3 million in bonds and $6.1 million in short-term investments. The remaining $3.4 million is held in cash. An embedded yield figure was not provided but the average yield on invested assets is 7.8%. Of the $3.5 million not invested, $1.7 million is in premium balances, $.9 million from the Stabilization Reserve Fund and $.9 million in other non-invested assets.

Cash Flow

In 1986, the cash flow was a positive $6.9 million (Exhibit 4) down from $9.0 million in 1985. Total income amounted to $15.0 million with $12.3 million from premiums and $2.5 million from investment income and $0.2 million from other sources. Total expenditures were $8.1 million of which $7.0 million went for claim payments and loss adjustment expense payments and $1.2 million went for operating expenses. While income was up $.6 million from 1985. expenditures were up $2.7 million almost entirely due to increased paid claims and loss adjustment expenses.

Statutory Reserves

Of the $61.8 million in liabilities, $53.8 million is for loss and loss adjustment expense reserves. (See Exhibit 5). The JUA only provided pending and IBNR loss and loss adjustment expense reserves. The average pending claim (including loss adjustment expenses) is $37,000.

Pending Claims

At year-end 1986, the New Hampshire JUA had 329 pending claims (Exhibit 6) up 10% from the 299 pending at year-end 1985. These claims are for all policy years going back to 1976 and prior, where seven claims are still pending. The largest number of claims - 56 - are pending from 1980. The distribution is typical.

Reserve Development

Due to incomplete records, the JUA does not have complete information allowing for a comparison of all the initial accident-year reserves to the current estimate of those accident-year reserves. The records do allow a comparison for the years 1981 to 1985 as of year-end 1986. (See Exhibit 7B). For accident-years 1981 and 1982, the reserves now appear to have been inadequate. The 1983, 1984, and 1985 accident-year reserves now appear to have been more than adequate.

During 1986, the JUA reduced by $1.6 million its estimate of how much was expected to be paid for all prior accident-years. For accident-years 1984 and 1985, the ultimate expected payout was reduced by $5.0 million in total. For accident-years prior to 1983, the ultimate payout was revised upward by $3.5 million in total.

Claim Payout

The median time to pay one-half the ultimate incurred losses is 4.6 years. (See Exhibit 8). While this is up only slightly from 4.5 years last year, the JUA extended its estimate of how long it will take to ultimately pay all claims for any one accident-year from 15 to 21 years. For the years where reserves were strengthened, the median is about 5.3 years, while it is 4.2 years for the other years indicating the JUA expects claims from the more recent years to be paid faster than those from earlier years. (See Exhibit 9B).

Discounted Reserves

Of primary importance to the financial stability of the JUA is whether the current invested assets of $31.8 million along with the investment income they will generate are sufficient to meet the estimated $53.8 million in claim payments and loss adjustment expenses expected to be made in the future. Assuming (1) current reserves are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn at their current rate, and (4) full value will be received for invested assets if they are sold, $38.1 million would be needed to be set aside in order to make those payments. (See Exhibit 10). With only $31.8 million in invested assets, the JUA appears to be $6.3 million short of covering those payments. Without using future premiums, which are for claims rising in the policy years for which the premiums are collected and using the same four assumptions above, the current invested assets could be depleted by early 1993. (See Exhibit 11). At that time there would be approximately $14.6 million in subsequent payments for which no funds would be available.

The $6.3 million shortage would be greater if reserves prove to be inadequate or claims are settled sooner than expected. If the reserves are inadequate by 20%, the shortage more than doubles to $13.9 million. The impact of paying claims on average 1 year sooner increases the shortage to $9.3 million. Both of these changes together would almost triple the shortage to $17.5 million.

Rate Filings

Since inception, the JUA has filed for several rate increases and has received timely approval in every case expect the most recent. (See Exhibit 12C). Rates have grown substantially for all insureds since 1980. For physicians and surgeons, rates increased 45% for 1980, 50% for 1981, 70% for 1982, 30% for 1983, with a more moderate increase for 1984. For 1986, the JUA filed for a 9.6% increase, but the request was refused.

Conclusions

The New Hampshire JUA does not appear to have sufficient invested assets to meet current liabilities. While mechanisms exist for insurers to recoup any assessment to cover JUA deficits, it remains to be seen if the mechanisms will produce adequate revenue to compensate the insurers.

New York Medical Malpractice JUA

History

The New York Medical Malpractice JUA was activated June 18, 1975. Members include all insurers writing personal liability and multi-peril policies. The JUA offers medical malpractice liability insurance to physicians and hospitals. The JUA wrote 21.6% of the medical malpractice premiums in the state in 1986 (Exhibit 1), which is up substantially from the 12.5% share in 1985.

Funding and Deficit Provisions

Three sources provide funds: (1) policyholder premiums, (2) Stabilization Reserve Fund, and (3) member assessments. The Stabilization Reserve Fund is financed by a 20% surcharge on the insured's medical malpractice premiums. If the JUA sustains a deficit, the Stabilization Reserve Fund is to cover the deficit. If a deficit exists after consideration of the Stabilization Reserve Fund contribution, JUA members can be assessed in proportion to their premiums. The assessment can be subsequently recouped from the Stabilization Reserve Fund if those funds are replenished.

Balance Sheet

As of year-end 1986, the New York JUA Annual Statement balance sheet shows assets of $528.7 million and liabilities of $1,037.2 million for a deficit of $508.5 million. (See Exhibit 2). The deficit increased almost $200 million because while assets increased almost $200 million, liabilities increased almost $400 million. The increase in liabilities is due to the addition of loss reserves and loss adjustment expense reserves for accident-year 1986. The deficit increase would have been even larger if loss reserves and loss adjustment expense reserves for accident-years 1975 through 1985 had not been reduced by over $50 million in 1986. (See Reserve Development below).

Assets

The JUA assets include $9.2 million of Stabilization Reserve Fund assets. The deficit, therefore, could be assessed against insurers. Of the total assets, $394.3 million is invested. (See Exhibit 3). Bonds constitute the largest investment, $371.4 million, of which $272.6 million is invested in government bonds and $98.8 in non-government bonds. Non-government bonds are all rated A or better by Moody. The embedded yield dropped from 11.2% in 1985 to 8.5% in 1986. The average term to maturity of all bonds is eleven years. Short-term investments amount to $10.3 million, while $12.7 million is held in cash. Non-invested assets amount to $134.4 million of which $126.8 million is in premium balances. Almost all of this amount is for excess limits coverage provided, but for which no premium was received by the JUA before year-end 1986. Collecting the premium was slow during 1987, and a substantial amount was still outstanding late in 1987. Of the remaining non-invested assets, most is in interest income due and accrued.

Cash Flow

Cash flow in 1986 was a positive $30.5 million (Exhibit 4), down more than $4.5 million from 1985. Premium income was down more than $50 million from $67.6 million in 1985 to $16.0 million in 1986 due to the large amount of uncollected premium at year-end 1986. Investment income was up $5.4 million from $29.2 million in 1985 to $34.6, but this was offset by other income dropping from $13.5 million in 1985 to $8.5 million in 1986. The survey did not request any description of other income. Total cash income, excluding capital gains, was $59.1 million. Expenditures amounted to $28.7 million, down from $32.4 million in 1985. Paid claims amounted to $15.0 million, down from $22.5 million in 1985, with loss adjustment expenses of $7.9 million, down from $8.8 million in 1985. Other expenses were up from $1.1 million in 1985 to $5.8 million in 1986.

Statutory Reserves

As of year-end 1986, the JUA reports loss and loss adjustment expense reserves of $943.3 million (Exhibit 5), a 55% increase over

1985. Of this amount, $730.2 million is for loss reserves (up 53% from 1985), and $213.1 million is for loss adjustment expenses (up 62% from 1985). The loss reserve is comprised of $199.7 million for pending claims, which is down slightly from the $209.3 million at year-end 1985. All of the loss reserve increase is in IBNR.

Pending Claims

The 2,144 pending claims are down slightly from the 2,206 at year-end 1985. The average reserve value of $93,000 is down slightly from the $95,000 at year-end 1985. More than half of the pending claims are for losses which occurred in 1981 and prior. (See Exhibit 6). The large number of pending claims for the earlier years indicates that it takes a longer time to settle cases in New York than in other states.

Reserve Development

Loss reserves for accident-years 1975 through 1982 were reduced $51.8 million in 1986. (See Exhibit 7C). The reduction for each of these accident-years ranged from $3.4 to $8.6 million. In addition, loss reserves for accident-years 1983 and 1985 were each reduced $1 million. The loss reserve for 1984 was increased $0.7 million. In total, the estimated ultimate incurred losses for claims arising in 1985 and prior were reduced $53.0 million in 1986.

Despite the large reduction in loss reserves, the original reserves for accident-years 1975 to 1981 are still thought to have been grossly inadequate. In the first half year of operation in 1975, the original reserve was estimated to be $8.1 million, and today it appears that it should have been set at $26.5 million. Between 1976 and 1981 the original accident-year reserves ranged from a low of $13.6 million in 1977 to a high of $49.1 million in 1981. It now looks as if all of those reserves should have been set somewhere between $52 million and $74 million. For the more recent accident-years, 1982 to 1985, reserves are estimated to have been inadequate in two out of four years. The reserve pattern for 1983, 1984, and 1985 is unusual, in that on a developed basis, they are $63.5, $35.7, and $126.8 million, respectively. The large increase in the 1985 accident-year reserve is due to excess liability coverage.

Claim Payout

Not unexpectedly, New York medical malpractice claims still have the longest anticipated runoff period. (See Exhibit 8). In 1986, the average time to pay one-half the claim payments is the same as in 1985, 8.8 years. By comparison, after nine years all of the claim payments are expected to have been made in Florida and South Carolina and over 80% in Rhode Island and Texas.

Discounted Reserves

With only $394.3 million in invested assets and outstanding claims of $943.3 million, it would appear that the New York JUA does not have sufficient funds to meet these payments. Given the long time it takes for New York claims to runoff, however, does provide a considerable length of time in which to earn investment income. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) the invested assets will continue to earn at their current embedded yield, and (4) asset maturity will match liabilities, the present value of those future payments is $526.8 million. (See Exhibit 10). This is $132.5 million more than the invested assets. Using the above assumptions, the invested assets can be expected to be depleted sometime during the year 1995 leaving a total of $377.2 million left to be paid. (See Exhibit 11). This is a substantial deterioration from year-end 1985 when the discounted reserve was only $4.4 million more than invested assets. The deterioration is due to substantially increased liabilities in 1986 and a decrease in the embedded yield.

The $132.5 million shortage would be even higher if critical assumptions prove to be optimistic. In the past year the embedded yield dropped almost three points. If the yield should drop to an average of 7.5% over the runoff period, the shortage increases to $165.5 million. If claims were to be paid on average one year sooner, the shortage increases to $177.5 million. Despite apparent recent indications of more than adequate reserves for earlier accident-years, if reserves prove to be inadequate by 20%, the shortage increases to $237.8 million. If all three happen, the shortage increases to $334.8 or almost three times the above estimate of $132.5 million.

Rating

For 1986, a 135% rate increase was requested, and a 9% rate increase approved. The JUA brought suit against the New York Insurance Department challenging the level of the rate increase approved. The court ruled against the Department saying the JUA was entitled to an actuarially sound rate. At the time of this writing the amount of the rate increase is undecided.

The rate filing for 1986 was not the first to be disapproved by the Department. The New York JUA has had an extremely difficult time receiving approval for requested rate increases. (See Exhibit 12C). No requested rate increase has ever been approved. During the period 1977 to 1985, the JUA has requested a rate increase for each year. For 1977, a 90% rate increase was requested, and a 15.5% rate increase was approved. Rate increases for 1978 through 1980 of 98%, 104%, and 186%, respectively, were all disapproved. For 1981, a 210% rate increase was requested, and a 58.5% rate increase was approved. For 1982, a 243% rate increase was requested, and a 15% rate increase was granted. For 1983, a 108% rate increase was requested, and a 83.3% increase was approved but not until January of 1985. For 1984, a 62% rate increase was requested, and a 52.3% increase was approved in January 1985. Action on the 1985 rate increase of 128% was not finalized until July 1986 when a 14% rate increase was approved.

Conclusion

For the New York JUA, current invested assets are not sufficient to cover current loss and loss adjustment expense liabilities even considering future investment income. The deficiency could increase substantially if any of the following happen:

- Current embedded yield is not maintained - a likely possibility given current lower yields.
- Current investments have to be sold for less than full value - a possibility because $73 million in bonds have maturity dates more than 20 years from now.
- Current reserves are inadequate - a possibility given past reserve developments.

Pennsylvania Medical Malpractice JUA

History

The Pennsylvania JUA became operational January 13, 1976. Members include all casualty insurers. The JUA offers coverage to health care providers as defined in the statutes. The Pennsylvania JUA has the second smallest market share of any medical malpractice JUA, 3.4% based on premium volume (Exhibit 1), up slightly from 3.2% in 1985.

Funding and Deficit Provisions

Funding for the JUA comes from two sources, policyholder premiums and a catastrophe fund. The catastrophe fund is financed through surcharges on all health care providers. If the JUA incurs a deficit, the catastrophe fund or a rate increase is intended to cover the deficit. If the catastrophe fund is unable to cover a JUA deficit, a surcharge is to be applied to all health care providers.

Balance Sheet

At year-end 1986, the Pennsylvania JUA reports assets of $53.5 million and liabilities of $52.9 million for a surplus of $0.7 million. (See Exhibit 2). Assets are up $5.7 million from 1985, but liabilities are up $10.3 million thus reducing last year's surplus of $5.0 million.

Assets

Of the $53.5 million in assets $52.1 million are invested. (See Exhibit 3). Bond holdings total $49.1 million. Short-term investments total $2.3 million. The balance, $0.7 million, is held in cash. Of the $1.5 million not invested, $1.4 million is an interest income due and accrued. The average yield on invested assets was 7.7% in 1986.

Cash Flow

Cash flow for the JUA was a positive $3.5 million in 1986 (Exhibit 3), up from $3.2 million in 1985. The $11.7 million in income came from $7.5 million in premiums ($5.4 million in 1985) and $4.2 million in investment income (same as 1985). Expenditures of $8.2 million ($6.4 million in 1985) included $4.8 million for claim payments, $2.5 million for loss adjustment expenses, and $0.9 million for operating expenses. Corresponding figures for 1985 are $3.5 million for claims, $2.4 million for loss adjustment expenses, and $0.5 million for operating expenses.

Statutory Figures

Loss and loss adjustment expense reserves rose more than 21% to $49.2 million at year-end 1986. Loss reserves increased 15% to $36.5 million while loss adjustment expense reserves increased almost 50% to $12.7 million. The loss reserves are comprised of $16.2 million for pending claims, up $1.0 million from 1985, and $20.3 million for IBNR, up $3.7 million from 1985. No pending claim information was provided making it impossible to determine an average pending claim value.

Discounted Reserves

Unique among JUAs, the Pennsylvania JUA discounts loss reserves. As of year-end 1986, the reserves were discounted at an interest rate of 6%. This would seem to be a conservative interest rate given the fact that the $52.1 million in invested assets generated $4.2 million in investment income or slightly more than 8%.

Invested assets, however, are only $2.9 million more than the discounted claim reserves. If reserves should prove to be as little as 6% inadequate, the excess disappears. If reserves should prove to be 20% inadequate, the excess becomes a $6.9 million shortage.

Conclusion

The Pennsylvania JUA financial condition is not strong, even with conservatively discounted reserves. If reserves are understated by as little as 6%, the JUA will not have sufficient funds to meet its liabilities.

Rhode Island Medical Malpractice JUA

History

The Rhode Island Medical Malpractice JUA was activated April 9, 1976. Members include all personal injury liability insurers including those insurers providing multi-peril policies. The JUA was established to provide insurance to physicians, hospitals, and other health care providers. During 1986, the JUA's market share was 82.6% based on premiums, the largest share of any medical malpractice JUA. (See Exhibit 1). The market share is down slightly from the 87.4% share in 1985.

Funding and Deficit Provisions

Funding for the JUA is from (1) policyholder premium, (2) Stabilization Reserve Fund, and (3) member assessments. The Stabilization Reserve Fund is financed by policyholder contributions determined by the director. If the JUA has a deficit, the Stabilization Reserve Fund is to provide funds to cover it. At year-end 1986 the Stabilization Reserve Fund amounted to $7.3 million. If a deficit exists after the Stabilization Reserve Fund contribution, insurers can be assessed. Individual insurer assessments will be based on the percentage of direct premiums for several lines of business as they relate to the aggregate writings in Rhode Island for all members writing those lines of business. Insurers may recoup the assessment by means of a surcharge, not to exceed 1%, on the annual premiums of future personal injury policies. Insurers may also recoup assessments through a premium tax offset.

Balance Sheet

As of year-end 1986, the Rhode Island Medical Malpractice JUA annual statement balance sheet reports assets of $68.5 million and liabilities of $227.8 million for a deficit of $159.3 million. (See Exhibit 2). Assets are up less than $14 million from 1985 while liabilities are up almost $34 million resulting in a $20 million increase in the deficit.

Assets

Invested assets amount to $63.5 million of which $54.9 million is in bonds. (See Exhibit 3). The vast majority of the bonds, $51.1 million, are in government securities. Non-government securities amount to $3.8 million. The JUA was not able to supply the grades for the non-government bonds. All the bonds were purchased in the past three years with an average term of 4.2 years. The average yield on investments is estimated to be 8.7%. Other invested assets include $1.4 million in cash and $7.2 million in other unspecified assets. Of the $5.0 million in non-invested assets, $3.5 is premium balances, and $1.5 million is interest income due and accrued.

Cash Flow

Although a large deficit exists, cash flow was a positive $13.4 million in 1986. (See Exhibit 4). Premium is up $5.0 million from 1985 to $19.1 million. Investment income is up $1.2 million to $5.5 million. Total cash income is up $10.5 million. A $1.6 million decline from 1985 in paid claims accounts for the $1.1 million decline in cash expenditures. A $0.5 million loss adjustment expense increase partially offsets the paid claim decrease. Operating expenses in 1986 are the same as in 1985, $1.4 million.

Statutory Reserves

As of year-end 1986, the JUA reports loss and loss adjustment expense reserves of $214.8 million (Exhibit 5), up more than $33 million from 1985. Loss reserves account for the entire increase being up almost $38 million from 1985 to $193.8 million. Most of the loss reserve increase is in IBNR which increased almost $30 million to $144.0 million. Pending loss reserves are up $8.0 million. Loss adjustment expense reserves are down $4.0 million to $21.0 million.

Reserve Development

Due to record problems, the JUA was not able to supply information to compare the original reserves for 1976 through 1979 with current estimates of what those reserves should have been. Information was provided for the period 1980 through 1986.

In 1986, the ultimate expected incurred losses for accident-year 1980 through 1985 were reduced $28.6 million or almost 15% from year-end 1985. (See Exhibit 7D). With the reduction, the originally established reserves for accident-year 1984 and 1985 are now thought to have been overstated by 15%-20%. For accident-years 1980 through 1983, however, the originally established reserves are still thought to have been substantially understated.

Claim Payout

Rhode Island has the second longest estimated time to pay one-half of the incurred claims, 5.5 years (Exhibit 8), which is down slightly from 5.7 years in 1985. For the years with the most experience, 1976-1978, the average ranges from 5.8 to 6.4 years. (See Exhibit 9D). For subsequent years, the range is from 4.2 years in 1980 to 5.8 years in 1983.

Discounted Reserves

With loss and loss adjustment expense reserves of $214.8 million and invested assets of only $63.5 million and a Stabilization Reserve of $7.3 million, the JUA does not have sufficient assets to meet those claims even after consideration of investment income. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn their embedded yield, and (4) the full value of the assets will be realized if they are sold before maturity, the JUA needs at least $152.0 million to meet those payments or $81.2 million more than it has. (See Exhibit 10). If future premiums are not used to meet those payments, the current invested assets could be depleted sometime in 1989 leaving $134.5 left to be paid. (See Exhibit 11).

The JUA's financial condition could worsen if the critical assumptions are optimistic. For instance, if reserves should prove to be understated by 20%, the shortage increases to $111.5 million. If the investment yield should drop to an average of 7.5%, the shortage increases to $87.8 million. The combined impact of these changes would be to increase the shortage to $119.4 million. Under these circumstances (20% reserve deficiency and 7.5% yield), the JUA could depleted its assets by early 1989.

Rate Filings

Historically, the JUA has had difficulty in obtaining rate increases. (See Exhibit 12D). For 1978, a 34.1% rate increase was asked for, but no hearing was held, and the rate increase was not approved. The only year for which the requested rate increase was approved was 1979. For 1980, a 25.3% rate increase was asked for but later withdrawn. For each of the subsequent years, additional rate increases were requested and the JUA usually received one-half or less of the amount requested. For 1986 a 91.4% increase was requested but only a 36.1% increase was approved but not until July 1, 1987.

Conclusion

The Rhode Island JUA is in serious financial trouble. While cash flow was positive in 1986, negative cash flow can be expected shortly with the strong possibility of invested assets being depleted shortly thereafter. The Stabilization Reserve Fund will be able to supply only $7.3 million to offset the JUA's deficit. Whether insurers will be able to recoup any assessments remains to be seen.

South Carolina Medical Malpractice JUA

In the original report, the JUA reported statutory information as of year-end 1985 and loss payment and reserve data as of fiscal year ending June 30, 1986. For this report, the JUA was requested and submitted balance sheet and underwriting results as of June 30, 1986.

History

The South Carolina Medical Malpractice JUA became operational June 30, 1975. Members include all insurers writing bodily injury liability insurance including multi-peril policies but excluding automobile liability insurers. The JUA provides coverage for physicians, hospitals, and other health care providers. The JUA market share was slightly less than half, 47.0%, in 1986. (See Exhibit 1). The market share is down slightly from 52.4% in 1985.

Funding and Deficit Provisions

Funding is provided from policyholder premiums and member assessments. If a deficit occurs, JUA members can be assessed in proportion to their direct written premium up to 1% of their policyholder surplus. A recoupment provision provides that policyholders can be assessed up to one annual premium or the assessment may be recouped through prospective rate increases. As of fiscal year-ending June 30, 1986, the South Carolina JUA reports assets of $19.8 million and liabilities of $40.1 million for a deficit of $20.3 million. (See Exhibit 2).

Assets

Invested assets amount to $19.4 million with $17.0 million in government bonds. (See Exhibit 3). At year-end 1985, the bonds had an embedded yield of 10.63%. Of the remaining invested assets, $2.2 million, were in short-term investments and $0.1 million held in cash. The $0.4 million in non-invested assets is not specified as to source.

Cash Flow

The JUA had positive cash flow amounting to $0.6 million in fiscal year ending June 30, 1986. (See Exhibit 4). Total income was $9.1 million of which $7.1 million came from premiums and $2.0 million from investment income. Expenditures included $5.4 million for paid claims, $2.1 million for loss adjustment expenses, and $1.0 million for operating expenses.

Statutory Reserves

For the fiscal year ending June 30, 1986, the JUA reports loss and loss adjustment expense reserves of $34.6 million. (See Exhibit 5). Of this amount, $25.7 is for loss reserves and $8.9 for loss adjustment expenses. In turn, the loss reserves are comprised of $6.8 million for pending claims and $18.9 million for IBNR. The $6.8 million is to pay 543 pending claims. The average pending claim value is $12,596. The 543 pending claims are an increase of 10% from 1985.

Reserve Development

Reserve development data is unavailable for fiscal years ending in 1977 through 1979. (See Exhibit 7E). Development data is available for all other fiscal years (1976, 1980-1986). Up until 1984, the initial fiscal accident-year reserves have been found to have been inadequate. For fiscal-years ending 1985 and 1986, the original reserves as of September 1986 appear to have been more than adequate.

Claim Payout

The South Carolina JUA has the second shortest anticipated runoff period. The JUA expects half of the incurred claims to be paid within 3.4 years. (See Exhibit 8). This average expected period has been quite consistent over the existence of the JUA. (See Exhibit 9E).

Discounted Reserves

Based on statutory results, the invested assets are slightly more than one-half of the loss and loss adjustment expense reserves. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, and (3) current invested assets will continue to earn their embedded yield, the present value of those future payments is $22.9 million. (See Exhibit 10). Even after consideration of investment income, therefore, invested assets are $3.5 million less than the amount needed to cover all future payments. Using the same assumptions and assuming no additional income to cover those claims, existing invested assets would be depleted in 1991 leaving approximately $6.3 million in claim payments yet to be made. (See Exhibit 11).

The JUA financial condition could worsen if the critical assumptions are optimistic. For instance, if reserves should prove to be underestimated by 20%, the shortage increases to $8.1 million. If the investment yield should drop to an average of 7.5%, the shortage increases to $5.2 million. The combined impact of these two changes would increase the shortage to $10.1 million. Under these circumstances (20% reserve inadequacy and 7.5% yield), the JUA could exhaust its assets by year-end 1989.

Rating

The South Carolina JUA has always received requested rate increases. Rate increases for physicians amounted to 50% for 1977, 40% for 1981, and 25% for 1983, 1985, and 1986. Hospital increases amounted to 133% for 1978, 20% for 1983, 40% for 1985, and 45% for 1986.

Conclusion

The South Carolina JUA is in financial trouble. Current assets, even considering investment income, are insufficient to cover current liabilities. Sometime in the future, assessments against insurers are a distinct possibility.

Texas Medical Malpractice JUA

History

The Texas Medical Malpractice JUA began operations September 8, 1975. Membership includes all liability insurers except farm and county mutuals. The JUA is authorized to insure any health care provider or physician included in one of the categories eligible for coverage as determined by the State Board. In 1986, the JUA covered physicians, surgeons, dentists, and hospitals and wrote 13.2% of all medical malpractice insurance in the state. (See Exhibit 1). The market share is up slightly from the 12% in 1985.

Funding and Deficit Provisions

Funding for the JUA comes from (1) policyholder premiums, (2) Stabilization Reserve Fund, (3) policyholder assessments, and (4) member assessments. Funding for the Stabilization Reserve Fund comes from a surcharge on JUA policyholder premiums. If a deficit occurs in the JUA, an assessment against JUA policyholders insured anytime in the last two years can be made and is limited to 100% of the current annual premium. If the policyholder assessment does not raise sufficient funds to cover the JUA deficit, assessments can also be levied against insurers based on their premium writings with a maximum assessment of 1% of surplus. This is the only JUA to have assessed insurers. Assessments were made in 1985, 1986, and one is possible in 1987.

Balance Sheet

As of year-end 1986, the Texas JUA balance sheet showed assets of $100.9 million (up from $69.6 million in 1985) and liabilities of $103.8 million (up from $76.0 million in 1985) for a deficit of $2.9 million (down from $6.4 million in 1985). (See Exhibit 2).

Assets

The JUA invested $75.6 million of is assets. (See Exhibit 3). Government bonds of $46.6 million comprised the largest component of the assets. The embedded yield on the bonds is 8.96%, down from 10.3% in 1985, with an average term of 2.3 years. Short-term investments total $3.3 million and another $3.3 million is held in cash. Of the remaining $25.3 million in assets, $19.2 million is money due from the assessment made in late 1986, $1.4 million is in premium balances, and $2.1 million is in other assets.

Cash Flow

In 1986, cash flow is a positive $9.7 million. (See Exhibit 4). Premium is $17.3 million, up almost $5 million from 1985. Investment income is $6.7 million, up $0.7 million from 1985. Total income is $24.0 million, up $6.0 million from 1985. Total expenditures are $14.4 million, up slightly from $14.0 million in 1985. Expenditures for claim payments are $8.0 million, down $0.8 million from 1985. Loss adjustment expenses are also down somewhat to $1.3 million, while expenses are up from $3.6 million in 1985 to $5.1 million in 1986.

Statutory Reserves

As of year-end 1986, the JUA reports $92.1 million in loss and loss adjustment expenses. (See Exhibit 5). This amount is $16.1 million higher than in 1985. The loss reserve is $71.1 million, while the loss adjustment expense reserve is $21.0 million. The loss reserve is comprised of $20.4 million for pending claims and $50.7 million for IBNR. The average reserve for the 632 pending claims is $32,349.

Pending Claims

The 632 pending claims at year-end 1986 (Exhibit 6) are 81 higher than the 551 at year-end 1985. The distribution of pending claims has shifted. At year-end 1985, the most recent accident-years, 1984 and 1985, accounted for 20% of all pending claims. At year-end 1986, the two most recent accident-years, 1985 and 1986, accounted for 41% of the pending claims. The JUA is concerned about this apparent faster claim development and is studying it.

Reserve Development

For most years, the initial accident-year reserves proved to be inadequate. For the early years, 1976 and 1977, the JUA now estimates that the initial reserves were slightly more than adequate. Since that time, however, the initial accident-year reserves have been inadequate. The inadequacies range from $2.5 million in 1984 to $7.3 million in 1980. In 1980, the initial accident-year reserve was $3.7 million, while $11.0 million is the current estimate of that reserve.

During 1986, the JUA did not significantly change its reserves for prior accident years. Reserve developments at year-end 1986 are about the same as they were at year-end 1985. (See Exhibit 7F).

Claim Payout

In Texas the median length of time to pay one-half of the ultimate incurred losses is 4.3 years (Exhibit 8), down slightly from 1985. The length of time appears to be shortening somewhat. (See Exhibit 9F). For the years 1977-1979 the median was 5.5 to 6.4 years. For more recent years, 1980-1986, it ranges from 3.4 to 4.2 years. As noted earlier, however, for the more recent years the median value is very dependent on the anticipated reserve runoff pattern. Only when more time passes will it be known if the apparent decreasing payout period is real.

Discounted Reserves

Based on the statutory results, insufficient assets exist to meet the future payments on existing claims. If the reserve is discounted assuming (1) the current accident-year reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn at their current rate, and (4) full value of the invested assets will be obtained if they have to be sold before maturity, the present value of those future payments is $68.2 million. The discounted reserve is $7.4 million less than current invested assets. (See Exhibit 10).

The current invested assets along with future investment income from those assets appear to be sufficient to pay all current liabilities. While the excess, $7.4 million, may appear large, it does not offer much of a cushion if any of the four assumptions above prove to be incorrect. For instance, if reserves prove to be 20% deficient, the excess becomes a $6.2 million shortage. If the investment yield drops to 7.5%, the excess drops to $4.3 million. If claims develop faster and are paid on average one year sooner, the excess drops to only $1.3 million. If all three happen, the excess becomes a $17.6 million shortage.

Rate Filings

For the first time since 1981 the JUA did not receive the rate increase requested for 1986. (See Exhibit 12F). Since its inception the JUA has filed for several rate increases. The first was a 50% increase in hospital rates for 1980. This rate increase was disapproved. For 1983, the JUA filed a 263% rate increase for dentists and oral surgeons, and this rate increase was approved. For 1985, the JUA filed two rate increases (1) 50% for physicians, surgeons, hospitals, other institutions, and (2) 50% for podiatrists. Both were approved. For 1986, it filed a 156.3% increase for physicians and other non-institutional health care providers and a 161.9% increase for hospitals and other institutional health care providers. For physicians, a 104.7% increase was approved, and a 109.9% increase was approved for hospitals.

Conclusions

The Texas JUA seems to be in fairly sound financial condition when future investment income is considered. Its financial condition, however, could change significantly if claim reserves prove inadequate, investment yields fall, or claims are paid sooner than expected. The fact that the JUA assesses insurers when a statutory deficit occurs should prevent huge deficits from accumulating as they have done in other states.

Wisconsin Medical Malpractice JUA

History

The Wisconsin Medical Malpractice JUA began operations March 17, 1975. Members include all personal liability insurers. Insurance is offered to all health care providers. In 1986, the JUA medical malpractice market share of 34.8% (Exhibit 1) was up substantially from 20.7% in 1985.

Funding and Deficit Provisions

Funding comes from two sources, policyholder premiums and member assessments. If the JUA suffers a deficit, members can be assessed based on a pro rate share of their writings. A recoupment provision is provided in the form of a rate increase.

Balance Sheet

As of year-end 1986, the Wisconsin JUA reports $74.5 million in assets ($69.0 million in 1985), $99.0 million in liabilities ($91.7 million in 1985), and a deficit of $24.5 million ($22.6 million in 1985). (See Exhibit 2).

Assets

Invested assets amount to $70.7 million of which $63.8 million is in bonds. The bond portfolio is up more than $27 million from the $36.5 million held in 1985. Apparently, much of the $30.1 million in short-term investments at year-end 1985 were converted to bonds since short-term investments at year-end 1986 are down to $6.1 million. The bond portfolio has an embedded yield of approximately 8.5%. The average time to maturity is 4.2 years. Other invested assets include $28,000 held in cash and $0.7 million invested in preferred stocks. The $3.8 million of non-invested assets include $2.0 million of premium balances and $1.8 million in interest income due and accrued.

Cash Flow

In 1986, the Wisconsin JUA had a positive $4.8 million cash flow (Exhibit 4) in contrast to a negative cash flow of $0.7 million in 1985. Total income of $16.4 million, up from $12.7 million in 1985, is comprised of $11.1 million from premiums and $5.3 million from investment income. The premium figure is up substantially from the $7.2 million in 1985, while investment income is off slightly from the $5.5 million in 1985. Expenditures of $11.5 million are down $1.9 million from the $13.4 million in expenditures in 1985. All of the decrease is accounted for in the drop in paid claims from $8.2 million in 1985 to $6.2 million in 1986. The 1986 loss adjustment expenses are $4.4 million, while other expenses are $0.9 million.

Statutory Reserves

The Wisconsin JUA reports $91.4 million in loss and loss adjustment expenses as of year-end 1986 (Exhibit 5) up $4.6 million from 1985. The increase is entirely due to loss reserves increasing from $60.3 million in 1985 to $64.8 million in 1986. The loss adjustment expense reserve in 1986 of $26.6 million is approximately equal to the $26.5 million loss adjustment expense reserve in 1985. Most of the increase in the loss reserves is due to the pending reserve increasing from $16.4 million in 1985 to $20.5 million in 1986. The IBNR increased slightly from $43.9 million in 1985 to $44.3 million in 1986. The average pending reserve of $16,407 is up slightly from the average pending reserve of $14,309 in 1985.

Pending Claims

The number of pending claims was up 101 from 1,147 in 1985 to 1,248 in 1986. The distribution of pending claims is typical. (See Exhibit 6). About 40% of the claims are pending from 1982 and 1983. Prior to that the pending claims decrease. The number of pending claims for accident-year 1986 is actually larger than that for accident year 1985 but may be due to increased exposure. Wisconsin has the third largest number of pending claims.

Discounted Reserves

While the Wisconsin JUA did not supply the requested data on historical payout patterns and current accident-year reserves for development and discounting purposes, the JUA consulting actuary did provide an estimate of the year-end 1986 loss and loss adjustment expense reserves discounted at 7.5%. The year-end 1986 discounted reserve was estimated to be $70.5 million, which is slightly less than the invested assets of $70.7 million. (See Exhibit 10). This is an extremely thin margin and could quickly become a shortage if reserves prove to be inadequate or claims are paid faster than anticipated.

Rate Filings

Since 1984, the JUA requested rate increases three times and received approval for the requested rate increases twice. For 1984, the JUA asked for a 51.5% increase in the rates for physicians and received approval for a 35% increase. At the same time, they requested a 67.2% increase for hospitals and received a 49.0% increase. For 1985, the JUA requested and received approval for a 69.6% increase for physicians and a 52.4% increase for hospitals. For 1986, the JUA requested and received approval for a 32.2% increase in physician rates and a 51.4% increase in hospital rates.

Conclusions

Based on this analysis, the Wisconsin JUA appears to barely have sufficient invested assets including future investment income to cover existing loss liabilities. If any of these assumptions underlying in this estimate, however, prove to be optimistic, the JUA will not have sufficient funds to cover existing claim liabilities.

1986
EXHIBITS

Exhibit 1
1986 Market Share

State	Percent
Florida	10.5%
Kansas	3.1
Massachusetts	69.0
New Hampshire	53.2
New York	21.6
Pennsylvania	3.4
Rhode Island	82.6
South Carolina	47.0
Texas	13.2
Wisconsin	34.8

Exhibit 2
Balance Sheet—Statutory

Year-End 1986	Florida	Kansas*	Massachusetts	New Hampshire	New York
Assets	$50,248,465	$5,894,884	$ 362,238,704	$ 35,236,727	$ 528,729,984
Liabilities	50,248,465	5,894,884	1,072,772,601	61,767,957	1,037,233,809
Surplus	0	0	(710,533,897)	(26,531,230)	(508,503,825)

Year-End 1986	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Assets	$53,549,097	$ 68,492,239	$19,776,768	$100,911,137	$ 74,502,666
Liabilities	52,853,424	227,817,842	40,101,632	103,783,880	99,039,671
Surplus	695,673	(159,325,603)	(20,324,864)	(2,872,743)	(24,537,005)

* Fiscal year ending June 1986.

Exhibit 3
Assets

Year-End 1986	Florida	Kansas*	Massachusetts	New Hampshire	New York
Assets	$50,248,465	$5,894,884	$362,238,704	$35,236,727	$528,729,984
Invested	47,107,399	5,780,445	344,373,404	31,763,343	394,296,774
Bonds	44,848,545	0	332,628,960	22,252,558	371,380,154
Short Term	0	4,718,959	2,790,000	6,134,419	10,258,210
Cash	2,258,854	1,061,486	8,954,444	3,376,366	12,658,410
Other	0	0	0	0	0
Non-Invested	3,141,066	114,439	17,865,300	3,473,384	134,433,210
Premium Balance	2,286,841	0	9,216,205	1,726,112	126,778,988
Other	854,225	114,439	8,649,095	1,747,272	7,654,222
Embedded Yield	8.69%	Not Reported	9.40%	7.83%	8.54%
Bond Maturity in Years	5.3	Not Reported	10.3	Not Reported	11.3

Year-End 1986	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Assets	$53,549,097	$68,492,239	$19,776,768	$100,911,137	$74,502,666
Invested	52,070,239	63,464,695	19,364,743	75,648,827	70,673,067
Bonds	49,146,840	54,907,706	16,996,607	69,035,383	63,824,121
Short Term	2,261,248	0	2,245,000	3,316,948	6,086,977
Cash	662,151	1,387,766	123,136	3,296,496	27,969
Other	0	7,169,223	0	0	734,000
Non-Invested	1,478,858	5,027,544	412,025	25,262,310	3,829,599
Premium Balance	61,343	3,497,225	9,180	3,964,443	2,023,888
Other	1,417,515	1,530,319	402,845	21,297,867	1,805,711
Embedded Yield	7.66%	8.70%	10.63%	8.96%	8.50%
Bond Maturity in Years	Not Reported	4.2	1.6	2.3	4.2

- Fiscal year ending June 1986.

Exhibit 4
Cash Flow

Year-End 1986	Florida	Kansas*	Massachusetts	New Hampshire**	New York
Income	$24,724,153	$1,342,124	$87,393,043	$15,005,938	$59,147,055
Premium	20,733,446	997,099	55,040,585	12,294,280	16,016,254
Investment Income	3,990,707	345,025	32,352,458	2,488,035	34,648,350
Other Income	0	0	0	223,623	8,482,451
Expenditures	11,454,224	3,279,336	76,303,665	8,132,813	28,694,788
Paid Claims	4,311,297	2,409,043	56,679,572	6,979,551	14,981,221
Loss Adj. Exp.	5,170,511	525,615	12,704,754	0	7,865,613
Other Expenses	1,972,416	344,678	6,919,339	1,153,262	5,847,954
Net Cash Flow	13,269,929	(1,937,212)	11,089,378	6,873,125	30,452,267

Year-End 1986	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Income	$11,723,836	$24,623,163	$9,078,700	$24,083,337	$16,381,039
Premium	7,529,711	19,103,183	7,121,536	17,346,668	11,121,566
Investment Income	4,194,125	5,520,492	1,957,164	6,732,669	5,259,473
Other Income	0	(512)	0	4,000	85,327
Expenditures	8,221,815	11,254,950	8,462,666	14,406,323	11,593,682
Paid Claims	4,825,577	7,541,168	5,373,784	8,048,264	6,203,428
Loss Adj. Exp.	2,481,959	2,328,081	2,084,712	1,266,281	4,359,888
Other Expenses	914,279	1,385,701	1,004,170	5,091,778	1,030,366
Net Cash Flow	3,512,021	13,368,213	616,034	9,677,014	4,787,357

* Fiscal year ending June 1986.

** Paid claims also include loss adjustment expenses paid

Exhibit 5
Loss and LAE Reserves

Year-End 1986	Florida	Kansas*	Massachusetts	New Hampshire**	New York
Loss and LAE Reserves	$51,457,359	$4,893,280	$1,030,840,253	$53,773,456	$943,309,306
Loss Reserves	37,973,303	3,495,200	734,031,626	53,773,456	730,216,981
LAE Reserves	13,484,056	1,398,080	296,808,627	0	213,092,325
Loss Reserves	37,973,303	3,495,200	734,031,626	53,773,456	730,216,981
Pending	22,650,400	3,150,200	304,401,674	12,228,363	199,749,895
IBNR	$15,322,903	$ 345,000	$429,629,952	$41,545,093	$530,467,086
Pending Claims	Not Reported	85	3,198	329	2,144
Average Pending Claim		$ 37,061	$ 95,185	$ 37,168	$ 93,167

Year-End 1986	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Loss and LAE Reserves	$49,169,991	$214,820,472	$34,620,513	$92,111,370	$91,382,026
Loss Reserves	36,479,309	193,840,370	25,735,482	71,136,609	64,770,083
LAE Reserves	12,690,682	20,980,102	8,885,031	20,974,761	26,611,943
Loss Reserves	36,479,309	193,840,370	25,735,482	71,136,609	64,770,083
Pending	16,196,513	49,830,781	6,839,370	20,444,445	20,476,433
IBNR	$20,282,796	$144,009,589	$18,896,112	$50,692,164	$44,293,650
Pending Claims	Not Reported	Not Reported	543	632	1,248
Average Pending Claim			$ 12,596	$ 32,349	$ 16,407

* Fiscal year ending June 1986.

** LAE Reserves included in Loss Reserves, and Pending and IBNR Loss Reserves also include LAE Reserves

Exhibit 6
Pending Claims

Calendar Year	Florida	Kansas*	Massachusetts	New Hampshire	New York
Prior to 1977			61	7	225
1977			71	10	154
1978			125	12	171
1979		1	210	19	204
1980			282	56	226
1981		1	442	45	286
1982		4	544	47	280
1983		16	598	39	275
1984		22	431	42	163
1985		41	278	31	114
1986			159	21	46
Total	Not Reported	85	3,201	329	2,144

Calendar Year	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Prior to 1977				7	18
1977				15	16
1978				25	25
1979				21	37
1980				39	31
1981			Not Reported	48	87
1982				32	216
1983				68	301
1984				105	185
1985				155	151
1986				117	181
Total	Not Reported	Not Reported	543	632	1,248

* Fiscal year ending June 1986

Exhibit 7A
Florida Reserve Development

Inception to 6/87

Fiscal Accident-Year Ending	Original Reserve	Developed Reserve At 6/87	Reserve Redundency/ (Deficiency)
1976	$ 6,164,771	$ 7,412,000	($ 1,247,229)
1977	9,096,805	6,604,000	2,492,805
1978	6,562,029	6,375,000	187,029
1979	7,392,625	8,562,000	(1,169,375)
1980	5,808,681	10,902,000	(5,093,319)
1981	4,190,641	12,199,000	(8,008,359)
1982	4,363,976	19,252,000	(14,888,024)
1983	11,616,665	12,995,000	(1,378,335)
1984	9,723,880	9,572,000	151,880
1985	4,652,588	7,350,000	(2,697,412)
1986	10,251,607	10,661,000	(409,393)
Total	$79,824,268	$111,884,000	($32,059,732)

1987 Development

Fiscal Accident-Year Ending	Developed Reserve At 6/86	Developed Reserve At 6/87	Reserve Redundency/ (Deficiency)
1976	$ 7,297,771	$ 7,412,000	($ 114,229)
1977	6,445,805	6,604,000	(158,195)
1978	6,248,771	6,375,000	(126,229)
1979	8,449,452	8,562,000	(112,548)
1980	10,238,881	10,902,000	(663,119)
1981	11,553,641	12,199,000	(645,359)
1982	18,551,984	19,252,000	(700,016)
1983	12,353,665	12,995,000	(641,335)
1984	9,087,710	9,572,000	(484,290)
1985	6,865,729	7,350,000	(484,271)
1986	10,251,607	10,661,000	(409,393)
Total	$107,345,016	$111,884,000	($4,538,984)

Exhibit 7B
New Hampshire Reserve Development

Inception to 12/86

Accident-Year	Original Reserve	Developed Reserve At 12/86	Reserve Redundency/ (Deficiency)
1976	Not Available	$ 3,363,910	
1977	Not Available	3,518,476	
1978	Not Available	8,513,537	
1979	Not Available	8,279,818	
1980	Not Available	9,981,608	
1981	$ 2,664,765	6,025,096	($3,360,331)
1982	6,565,788	7,082,688	(516,900)
1983	12,413,053	8,069,379	4,343,674
1984	9,245,517	8,611,075	634,442
1985	14,309,916	11,332,367	2,977,549
Total*	$45,199,039	$41,120,605	$4,078,434

* 1981-1985 only

1986 Development

Accident-Year	Developed Reserve At 12/85	Developed Reserve At 12/86	Reserve Redundency/ (Deficiency)
1976	$ 3,309,535	$ 3,363,910	($ 54,375)
1977	3,444,172	3,518,476	(74,304)
1978	7,658,600	8,513,537	(854,937)
1979	8,042,983	8,279,818	(236,835)
1980	8,422,646	9,981,608	(1,558,962)
1981	5,552,173	6,025,096	(472,923)
1982	6,842,444	7,082,688	(240,244)
1983	8,144,867	8,069,379	75,488
1984	10,649,576	8,611,075	2,038,501
1985	14,309,916	11,332,367	2,977,549
Total	$76,376,912	$74,777,954	$1,598,958

Exhibit 7C
New York Reserve Development

Inception to 12/86

Accident-Year	Original Reserve	Developed Reserve At 12/86	Reserve Redundancy/ (Deficiency)
1975	$ 8,084,387	$ 26,489,746	($18,405,359)
1976	44,007,000	67,658,561	(23,651,561)
1977	13,614,000	54,711,322	(41,097,322)
1978	23,668,000	52,739,596	(29,071,596)
1979	40,633,000	63,579,337	(22,946,337)
1980	42,346,997	66,156,355	(23,809,358)
1981	49,079,674	74,270,781	(25,191,107)
1982	65,175,744	60,479,229	4,696,515
1983	56,309,053	63,456,848	(7,147,795)
1984	30,476,829	35,692,499	(5,215,670)
1985	127,759,152	126,825,508	933,644
Total	$501,153,836	$692,059,782	($190,905,946)

1986 Development

Accident-Year Ending	Developed Reserve At 12/85	Developed Reserve At 12/86	Reserve Redundancy/ (Deficiency)
1975	$ 30,995,387	$ 26,489,746	$ 4,505,822
1976	44,007,000	67,658,561	6,722,464
1977	13,614,000	54,711,322	7,050,073
1978	23,668,000	52,739,596	8,039,883
1979	40,633,000	63,579,337	8,583,301
1980	42,346,997	66,156,355	8,344,643
1981	49,079,674	74,270,781	5,161,236
1982	63,898,700	60,479,229	3,419,471
1983	64,411,422	63,456,848	954,574
1984	30,993,498	35,692,499	(699,001)
1985	127,759,152	126,825,508	933,644
Total	$745,075,892	$692,059,782	$53,016,110

Exhibit 7D
Rhode Island Reserve Development

Inception to 12/86

Accident-Year	Original Reserve	Developed Reserve At 12/86	Reserve Redundancy/ (Deficiency)
1976		Not Available	
1977		Not Available	
1978		Not Available	
1979		Not Available	
1980	$ 10,128,614	$ 20,088,500	($ 9,959,886)
1981	11,979,104	18,973,280	(6,994,176)
1982	18,373,088	27,696,332	(9,323,244)
1983	23,186,372	27,063,041	(3,876,669)
1984	35,545,996	30,265,087	5,280,909)
1985	49,424,676	41,345,909	8,078,767
Total	$148,637,850	$165,432,149	($16,794,299)

1986 Development

Accident-Year Ending	Developed Reserve At 12/85	Developed Reserve At 12/86	Reserve Redundancy/ (Deficiency)
1976		Not Available	
1977		Not Available	
1978		Not Available	
1979		Not Available	
1980	$ 22,131,654	$ 20,088,500	$ 2,043,154
1981	20,800,775	18,973,280	1,827,495
1982	29,658,870	27,696,332	1,962,538
1983	33,415,608	27,063,041	6,352,567
1984	38,591,894	30,265,087	8,326,807
1985	49,424,676	41,345,909	8,078,767
Total	$194,023,477	$165,432,149	$28,591,328

Exhibit 7E
South Carolina Reserve Development

Inception to 9/86

Fiscal Accident-Year Ending	Original Reserve	Developed Reserve 9/86	Reserve Redundency/ (Deficiency)
1976	$ 2,126,101	$ 2,603,948	($ 477,847)
1977	Not Available	2,095,852	
1978	Not Available	3,986,536	
1979	Not Available	3,653,092	
1980	3,737,827	5,119,514	(1,381,687)
1981	3,842,800	5,161,456	(1,318,656)
1982	3,869,282	6,150,558	(2,281,276)
1983	4,416,289	8,147,593	(3,731,304)
1984	5,021,646	7,456,239	(2,434,593)
1985	9,780,856	7,187,558	2,593,298
1986	11,369,569	8,828,585	2,540,984
Total*	$44,164,370	$50,655,451	($6,491,081)

* Total of years 1976, 1980-1986

Exhibit 7F
Texas Reserve Development

Inception to 12/86

Accident-Year	Original Reserve	Developed Reserve 12/86	Reserve Redundency/ (Deficiency)
1976	$ 5,767,277	$ 5,221,059	$ 546,218
1977	9,211,976	9,089,105	122,871
1978	8,819,748	9,241,901	(422,153)
1979	6,451,681	10,455,859	(4,004,178)
1980	3,728,214	10,978,531	(7,250,317)
1981	3,380,338	8,370,758	(4,990,420)
1982	3,342,294	7,042,592	(3,700,298)
1983	3,944,716	8,439,717	(4,495,001)
1984	8,628,249	11,149,623	(2,521,374)
1985	23,864,797	23,864,797	0
Total	$77,139,290	$103,853,942	($26,714,652)

1986 Development

Accident-Year	Developed Reserve 12/85	Developed Reserve 12/86	Reserve Redundency/ (Deficiency)
1976	$ 5,201,944	$ 5,221,059	($ 19,115)
1977	9,089,105	9,089,105	0
1978	9,362,503	9,241,901	120,602
1979	10,455,859	10,455,859	0
1980	9,625,278	10,978,531	(1,353,253)
1981	8,567,057	8,370,758	196,299
1982	7,042,592	7,042,592	0
1983	8,232,318	8,439,717	(207,399)
1984	11,149,623	11,149,623	0
1985	23,864,797	23,864,797	0
Total	$102,591,076	$103,853,942	($1,262,866)

Exhibit 8
Cumulative Payout Pattern

Year	Florida	New Hampshire	New York	Rhode Island	South Carolina*	Texas
0	0.7%	0.1%	0.3%	0.2%	1.0%	0.5%
1	6.8	3.5	0.7	2.6	6.8	3.8
2	25.1	16.2	1.8	7.0	23.0	16.0
3	49.7	29.9	4.6	17.6	41.7	27.5
4	72.1	43.8	9.7	29.7	64.6	44.4
5	83.7	55.8	16.7	43.9	78.3	61.3
6	92.6	65.0	24.0	55.3	84.4	71.0
7	96.8	71.5	33.9	65.6	89.3	76.8
8	98.8	76.1	43.2	77.3	95.2	80.4
9	100.0	78.6	51.3	80.6	99.2	82.9
10		80.5	59.4	84.0	100.0	86.0
11		82.2	66.2	87.6		89.5
12		84.1	74.6	91.0		93.0
13		86.3	78.2	94.4		96.5
14		88.7	81.3	100.0		98.2
15		91.3	84.5			100.0
16		93.8	88.1			
17		96.1	92.6			
18		97.9	96.5			
19		99.1	98.8			
20		99.6	100.0			
21		100.0				
Median Payout Term-Years	3.0	4.6	8.8	5.5	3.4	4.3

* Fiscal year ending June 1986

Exhibit 9A
Florida Payout Pattern as Cumulative Percent of Total Incurred

	Fiscal Accident Year Ending				
Calendar Year	**1978**	**1979**	**1980**	**1981**	**1982**
0	1.0%	0.7%	1.3%	0.7%	0.5%
1	8.5	5.7	8.2	6.9	4.3
2	31.9	22.7	28.8	19.3	17.5
3	50.6	54.1	51.1	40.0	52.1
4	74.9	72.2	72.2	58.3	66.1
5	89.6	81.7	84.2	69.2	81.1
6	94.6	89.6	93.9	84.1	90.2
7	98.2	93.6	97.5	93.5	96.0
8	98.8	97.8	99.1	97.8	98.6
9	100.0	100.0	100.0	100.0	100.0
Median in Years	3.0	2.9	3.0	3.5	2.9

Calendar Year	**1983**	**1984**	**1985**	**1986**	**Average**
0	1.1%	0.0%	0.4%	0.4%	0.7%
1	8.9	4.3	4.3	8.2	6.8
2	26.0	14.3	25.1	28.2	25.1
3	39.1	41.5	48.9	51.0	49.7
4	69.4	70.6	74.3	75.3	72.1
5	82.9	83.6	85.7	86.3	83.7
6	91.2	91.5	92.6	92.9	92.6
7	96.4	96.5	97.0	97.1	96.8
8	98.8	98.8	99.0	99.0	98.8
9	100.0	100.0	100.0	100.0	100.0
Median in Years	3.4	3.3	3.0	3.0	3.0

Exhibit 9B
New Hampshire Payout Pattern as Cumulative Percent of Total Incurred

	Accident Year							
Calendar Year	1980	1981	1982	1983	1984	1985	1986	Average
0	0.0%	0.1%	0.4%	0.2%	0.0%	0.0%	0.0%	0.1%
1	0.8	11.6	3.6	2.0	0.6	0.4	5.6	3.5
2	18.1	17.9	12.7	13.9	15.2	15.4	19.9	16.2
3	27.6	23.1	26.0	34.9	31.1	31.3	35.0	29.9
4	41.4	35.9	38.1	49.4	46.2	46.4	49.4	43.8
5	45.9	48.6	53.9	61.7	59.1	59.4	61.7	55.8
6	57.2	60.2	64.2	69.5	67.2	67.5	69.4	65.0
7	65.4	68.2	71.4	74.9	72.8	73.1	74.8	71.5
8	71.3	73.9	76.5	78.8	76.8	77.1	78.6	76.1
9	74.4	77.1	79.2	80.8	78.8	79.2	80.6	78.6
10	76.8	79.6	81.3	82.3	80.4	80.8	82.2	80.5
11	79.0	81.6	83.2	83.8	82.0	82.3	83.6	82.2
12	81.3	83.7	85.1	85.5	83.8	84.2	85.3	84.1
13	83.8	86.0	87.1	87.4	86.0	86.3	87.3	86.3
14	86.7	88.5	89.4	89.6	88.4	88.7	89.5	88.7
15	89.8	91.1	91.9	92.0	91.1	91.3	91.9	91.3
16	92.7	93.7	94.2	94.3	93.7	93.8	94.3	93.8
17	95.4	96.0	96.3	96.4	96.0	96.1	96.4	96.1
18	97.5	97.8	98.0	98.1	97.8	97.9	98.0	97.9
19	99.0	99.1	99.2	99.2	99.1	99.1	99.2	99.1
20	99.6	99.6	99.6	99.7	99.6	99.6	99.6	99.6
21	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	5.9	5.1	4.8	4.1	4.3	4.3	4.0	4.6

Exhibit 9C

New York Payout Pattern as Cumulative Percent of Total Incurred

	Accident Year												
Calendar Year	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	Average
0	0.0%	0.6%	0.1%	0.0%	0.3%	0.3%	0.4%	0.5%	0.6%	0.9%	0.1%	0.1%	0.3%
1	0.6	1.1	0.7	0.7	0.8	0.7	0.7	0.7	0.9	1.2	0.2	0.2	0.7
2	1.9	2.5	2.5	2.2	2.2	1.8	1.8	1.5	2.0	2.1	0.7	0.5	1.8
3	4.1	8.1	7.8	5.9	5.6	4.2	3.5	3.7	3.9	5.7	1.7	1.1	4.6
4	11.7	14.9	11.0	13.5	13.0	10.1	7.3	7.4	10.1	11.8	3.2	1.9	9.7
5	17.5	23.3	18.6	19.1	21.1	17.3	11.1	14.9	17.4	19.0	11.2	10.1	16.7
6	24.4	29.5	25.3	27.0	26.7	23.2	19.6	22.8	25.1	26.5	19.5	18.5	24.0
7	31.9	37.3	40.5	36.6	31.3	34.5	30.6	33.0	35.0	36.2	30.3	29.3	33.9
8	45.5	45.8	49.4	41.2	42.0	44.0	39.7	41.6	43.3	44.4	39.3	38.5	43.2
9	54.9	53.2	53.8	51.9	52.1	53.0	48.5	49.8	51.3	52.2	48.0	47.2	51.3
10	64.7	57.7	65.8	62.5	61.8	61.4	56.0	56.8	58.0	58.8	55.3	54.7	59.4
11	68.2	72.3	75.0	70.7	69.2	67.7	61.7	62.0	63.0	63.7	60.9	60.3	66.2
12	89.1	88.0	84.8	79.2	76.9	74.1	67.4	67.1	67.9	68.5	66.3	65.8	74.6
13	90.6	89.7	87.0	82.1	80.2	77.7	71.9	71.7	72.4	72.9	71.0	70.6	78.2
14	92.0	91.2	88.8	84.7	83.0	80.9	75.9	75.7	76.3	76.8	75.1	74.7	81.3
15	93.4	92.7	90.8	87.3	85.9	84.2	80.1	79.9	80.5	80.8	79.5	79.2	84.5
16	94.9	94.4	92.9	90.3	89.2	87.9	84.7	84.6	85.0	85.3	84.3	84.0	88.1
17	96.8	96.5	95.6	93.9	93.3	92.4	90.5	90.4	90.6	90.8	90.2	90.1	92.6
18	98.5	98.4	97.9	97.2	96.8	96.5	95.5	95.5	95.6	95.7	95.4	95.4	96.5
19	99.5	99.4	99.3	99.0	98.9	98.8	98.5	98.4	98.5	98.5	98.4	98.4	98.8
20	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	8.1	8.6	8.1	8.8	8.8	8.7	9.2	9.0	8.8	8.7	9.3	9.4	8.8

Exhibit 9D

Rhode Island Payout Pattern as Cumulative Percent of Total Incurred

	Accident Year											
Calendar Year	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	Average
0	0.3%	0.2%	0.2%	0.1%	0.4%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
1	1.7	0.5	0.8	1.0	1.8	1.0	7.1	1.6	8.0	0.7	4.1	2.6
2	4.4	2.8	2.5	3.6	14.8	4.3	13.3	8.7	10.8	4.0	7.4	7.0
3	10.3	5.1	13.6	19.1	30.5	17.6	21.9	11.5	24.3	18.4	21.3	17.7
4	20.1	9.8	20.5	41.0	48.6	26.5	28.5	26.9	37.5	32.6	34.9	29.2
5	22.4	31.4	32.2	70.6	56.3	44.5	42.7	40.8	49.2	45.3	47.3	43.5
6	41.0	40.9	56.8	72.6	59.1	55.9	54.4	53.0	59.7	56.5	58.1	55.0
7	62.4	64.5	58.3	79.1	67.3	64.6	63.5	62.3	67.6	65.8	66.3	65.4
8	80.7	66.5	65.5	87.1	79.9	78.2	77.5	76.8	80.0	78.5	79.2	77.2
9	80.1	69.8	71.3	89.6	83.7	82.0	81.4	80.7	83.3	82.0	82.6	80.5
10	80.3	75.8	76.9	91.6	86.9	85.5	85.1	84.4	86.5	85.4	86.0	84.0
11	85.3	81.2	82.0	93.4	89.8	88.7	88.4	87.8	89.5	88.6	89.0	87.6
12	89.5	86.3	86.9	95.2	92.6	91.8	91.6	91.2	92.4	91.7	92.0	90.9
13	93.5	91.4	91.8	97.0	95.4	94.9	94.8	94.5	95.2	94.8	95.0	94.4
14	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	6.4	6.4	5.8	4.3	4.2	5.5	5.6	5.8	5.1	5.7	5.3	5.6

Exhibit 9E

South Carolina Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Average
	Accident Year											
0	0.1%	0.3%	4.9%	0.2%	1.5%	0.1%	1.5%	0.1%	0.3%	0.2%	1.3%	1.0%
1	8.8	7.7	11.7	2.7	7.9	2.0	5.7	5.8	5.4	9.9	7.0	6.8
2	12.2	22.0	26.0	18.4	22.5	20.5	29.7	28.2	22.9	26.6	24.2	23.0
3	23.2	49.3	53.3	29.0	35.6	48.7	43.8	44.7	42.2	45.2	43.2	41.7
4	40.5	60.0	72.6	58.2	71.3	69.8	69.6	67.9	66.2	68.0	66.9	64.6
5	46.7	73.9	82.7	83.4	81.9	83.8	82.7	81.9	80.9	81.9	81.3	78.3
6	61.0	82.9	87.8	87.5	89.2	87.8	87.0	86.5	85.7	86.5	86.0	84.4
7	76.0	87.5	90.6	89.3	92.8	91.9	91.4	91.0	90.4	91.0	90.7	89.3
8	96.0	90.5	96.3	94.7	96.4	95.9	95.7	95.5	95.2	95.5	95.3	95.2
9	100.0	98.6	99.5	99.0	99.3	99.2	99.2	99.1	99.1	99.1	99.1	99.2
10	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	5.2	3.1	2.9	3.7	3.4	3.1	3.2	3.2	3.3	3.2	3.3	3.4

Exhibit 9F

Texas Payout Pattern as Cumulative Percent of Total Incurred

	Accident Year											
Calendar Year	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	Average
0	0.2%	3.4%	0.1%	0.0%	0.0%	0.3%	0.5%	0.0%	0.1%	0.3%	0.3%	0.5%
1	5.1	8.1	2.6	0.7	4.8	2.4	6.1	0.8	2.6	7.9	1.3	3.8
2	18.7	13.3	4.8	15.1	12.3	18.2	18.3	17.5	20.1	21.8	16.2	16.0
3	28.0	22.2	12.8	27.3	26.7	29.9	40.7	28.0	29.6	31.1	26.2	27.5
4	51.9	32.0	20.5	32.4	43.0	53.8	62.4	47.2	48.6	49.7	46.1	44.4
5	66.6	43.5	44.8	37.4	54.5	59.0	79.8	71.8	72.4	73.0	71.1	61.3
6	74.4	51.7	47.6	60.6	59.8	73.1	86.8	81.5	81.9	82.3	81.0	71.0
7	76.9	57.4	53.2	69.8	70.4	80.2	90.3	86.4	86.7	87.0	86.0	76.8
8	77.4	66.4	63.0	74.2	74.6	83.0	91.6	88.3	88.6	88.8	88.0	80.4
9	77.6	67.9	69.2	78.5	78.8	85.9	93.0	90.3	90.5	90.7	90.0	82.9
10	78.1	74.3	75.3	82.8	83.1	88.7	94.4	92.2	92.4	92.6	92.0	86.0
11	83.6	80.7	81.5	87.1	87.3	91.5	95.8	94.2	94.3	94.4	94.0	89.5
12	89.1	87.2	87.7	91.4	91.5	94.3	97.2	96.1	96.2	96.3	96.0	93.0
13	94.5	93.6	93.8	95.7	95.8	97.2	98.6	98.1	98.1	98.1	98.0	96.5
14	97.3	96.8	96.9	97.8	97.9	98.6	99.3	99.0	99.0	99.1	99.0	98.2
15	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	3.9	5.8	6.4	5.5	4.1	3.8	3.4	4.1	4.1	4.0	4.2	4.3

Exhibit 10

Discounted Reserves

Year-End 1986	Florida	Kansas(1)	Massachusetts(2)	New Hampshire	New York
Invested Assets	$47,107,399	$5,780,445	$344,373,404	31,763,343	394,296,774
Discounted Reserves	42,939,860	3,425,296	709,625,912	38,072,792	526,765,868
Difference	4,167,539	2,355,149	(365,252,508)	(6,309,449)	(132,469,094)

Year-End 1986	Pennsylvania(3)	Rhode Island	South Carolina(1)	Texas	Wisconsin(4)
Invested Assets	$52,070,239	$70,805,324	$19,364,743	75,648,827	70,673,067
Discounted Reserves	49,169,991	151,960,844	22,912,118	68,234,177	70,546,924
Difference	2,900,248	(81,155,520)	(3,547,375)	7,414,650	126,143

(1) Fiscal year ending 6-30-86
(2) Discounted 1986 reserve assuming Rhode Island runoff
(3) Statutory reserve discounted at 6%
(4) Discounted at 7.5%

Exhibit 11

Current Invested Assets vs. Reserve Runoff

	New Hampshire		Rhode Island		South Carolina		New York	
Year	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets
1986		31,763,343		$70,805,324		$19,364,743		394,296,774
1987	$ 8,352,341	24,631,568	$ 24,767,818	49,052,810	6,613,602	13,754,604	$ 59,123,046	351,664,566
1988	8,276,921	18,284,048	27,875,137	25,444,543	6,659,888	8,557,153	56,841,397	324,853,927
1989	7,011,362	12,704,882	30,424,206	(2,766,363)	5,492,701	3,974,277	47,912,246	304,682,916
1990	5,628,411	8,071,649	27,675,907	0	4,318,580	78,256	51,710,817	278,990,811
1991	4,233,073	4,470,832	23,471,568	0	2,596,681	(2,510,105)	76,303,665	226,511,853
1992	3,017,073	1,803,961	18,885,304	0	1,451,790	0	74,881,876	170,973,190
1993	2,335,986	(390,726)	15,982,665	0	1,100,394	0	79,106,799	106,466,823
1994	1,903,349	0	13,573,235	0	749,172	0	68,932,821	46,625,846
1995	1,628,343	0	7,688,552	0	399,656	0	64,359,049	(13,751,541)
1996	1,567,084	0	7,049,365	0	79,676	0	55,451,333	0
1997	1,537,300	0	5,890,924	0	0	0	46,637,784	0
1998	1,490,882	0	4,771,634	0	0	0	44,006,666	0
1999	1,401,292	0	4,087,419	0	0	0	38,793,771	0
2000	1,259,734	0	2,676,737	0	0	0	33,861,730	0
2001	1,096,903	0	0	0	0	0	32,310,136	0
2002	877,939	0	0	0	0	0	31,847,893	0
2003	658,555	0	0	0	0	0	33,408,039	0
2004	436,821	0	0	0	0	0	26,063,289	0
2005	245,065	0	0	0	0	0	14,444,317	0
2006	106,445	0	0	0	0	0	6,602,439	0
2007	47,057	0	0	0	0	0	0	0
Remaining Liability	$14,600,432		$134,519,673		$6,290,793		$377,178,938	

Exhibit 12A

Florida Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	20.9%	20.9%	7-9-78
1979	-24.8%	-24.8%	5-28-79
1980	-25.0%	-25.0%	5-15-80
1981	10.0%	10.0%	6-29-81
1982	30.4%	30.4%	9-9-82
1983	25.4%	25.4%	6-28-83
1984	77.6%	77.6%	6-1-84
1985	46.4%	46.4%	7-1-85
1986	20.0%	10.0%	6-29-86

Florida Rate Filings for Hospitals and Other Facilities

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	-8.6%	-8.6%	7-9-78
1979	-19.6%	-19.6%	5-28-79
1980	-25.0%	-25.0%	5-15-80
1981	17.3%	17.3%	6-29-81
1982	29.5%	29.5%	9-9-82
1983	50.4%	50.4%	6-28-83
1984	41.4%	41.4%	6-1-84
1985	6.2%	6.2%	7-1-85
1986	99.0%	45.0%	6-29-86

Exhibit 12B

Massachusetts Rate Filings for Physicians and Surgeons*

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977		7.3%	
1978		0.0%	
1979		0.0%	
1980		10.0%	
1981		0.0%	
1982		9.1%	
1983	162.0%	42.0%	5-18-84 Appealed
1983 Supplement	188.0%	68.1%	6-11-86
1984	41.6%	10.9%	6-11-86
1985	71.1%	23.6%	3-4-87
1986	10.3%	8.7%	3-4-87

* Amount requested and final decision date not reported for 1977-1982

Exhibit 12C
New Hampshire Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	NO ACTIVITY		
1979	NO ACTIVITY		
1980	45.0%	45.0%	6-24-80
1981	50.0%	50.0%	6-2-81
1982	70.0%	70.0%	6-9-82
1983	30.0%	30.0%	6-83
1984	Basic 5.1%	5.1%	6-13-84
	Excess 15.0%	15.0%	6-13-84
1985	NO ACTIVITY		
1986	9.3%	0.0%	9-86

Exhibit 12D
New York Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	90.0%	15.5%	6-77
1978	98.0%	Disapproved	6-78
1979	104.0%	Disapproved	6-79
1980	186.0%	Disapproved	6-80
1981	210.0%	58.5%	10-81
1982	243.0%	15.0%	12-82
1983	180.0%	83.3%	1-85
1984	62.0%	52.3%	1-85
1985	128.0%	14.0%	7-86
1986	135.0%	9.0%	Pending

Exhibit 12E
Rhode Island Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	34.1%		No hearing
1979	9.7%	9.7%	6-27-79
1980	25.3%		Withdrawn
1981	Basic 7.4%		
	Excess 12.7%		
	Total 21.0%	12.7%	6-17-81
1982	Basic 41.3%	23.1%	6-23-82
1983	Basic 43.3%	24.0%	6-30-83
	Excess 24.7%		
1984	Basic 44.6%	11.5%	6-27-84
	Excess 25.9%	16.7%	
1985	Basic 101.3%	30.0%	6-28-85
	Excess 14.8%	14.8%	
	Total 131.3%		
1986	Total 91.4%	36.1%	7-1-87

Exhibit 12F
South Carolina Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	Physicians	50.0%	50.0%	7-1-77
1978	Hospital	133.0%	133.0%	7-1-78
1979		NO ACTIVITY		
1980		NO ACTIVITY		
1981	Physicians	40.0%	40.0%	7-1-81
1982		NO ACTIVITY		
1983	Physicians	25.0%	25.0%	7-1-83
	Hospital	20.0%	20.0%	7-1-83
1984		NO ACTIVITY		
1985	Physicians	25.0%	25.0%	1-1-85
	Hospital	40.0%	40.0%	1-1-85
1986	Physicians	25.0%	25.0%	1-9-86
	Hospital	45.0%	45.0%	1-9-86

Exhibit 12G
Texas Rate Filings

Year	Percent Asked For		Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY			
1979	NO ACTIVITY			
1980	NO ACTIVITY			
1981	50.0%	(A)	Disapproved	4-16-81
1982	NO ACTIVITY			
1983	263.0%	(B)	263.0%	11-10-83
1984	NO ACTIVITY			
1985	50.0%	(C)	50.0%	5-21-85
	50.0%	(D)	50.0%	10-29-85
1986	156.3%	(E)	104.7%	8-1-86
	161.9%	(F)	109.9%	8-1-86

(A) Hospital
(B) Dentists and oral surgeons
(C) Physicians, surgeons, hospitals, and other institutions
(D) Podiatrists
(E) Physicians and other non-institutional health care providers
(F) Hospitals and other institutional health care providers

Exhibit 12H
Wisconsin Rate Filings for Physicians

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	51.5%	35.0%	7-1-84
1985	69.6%	69.6%	7-1-85
1986	32.2%	32.2%	7-1-86

Wisconsin Rate Filings for Hospitals

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	67.2%	49.0%	7-1-84
1985	52.4%	52.4%	7-1-85
1986	51.4%	51.4%	7-1-86

1985
EXHIBITS

Exhibit 1
1985 Market Share

State	Percent
Florida	5.5%
Kansas	3.8
Massachusetts	73.0
New Hampshire	56.1
New York	12.5
Pennsylvania	3.2
Rhode Island	87.4
South Carolina	52.4
Texas	11.8
Wisconsin	20.7

Exhibit 2
Balance Sheet—Statutory

Year-End 1985	Florida	Kansas	Massachusetts	New Hampshire	New York
Assets	$37,253,884	$5,894,884	$329,234,727	$ 27,268,035	$ 339,203,655
Liabilities	37,253,884	5,894,884	933,923,953	55,366,103	654,100,015
Surplus	0	0	(604,689,226)	(28,098,068)	(314,896,360)

Year-End 1985	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
Assets	$47,672,988	$54,699,571	$19,351,273	$69,555,895	$ 69,008,247
Liabilities	42,647,851	194,566,880	37,793,955	75,951,364	91,655,342
Surplus	5,025,137	(139,867,309)	(18,442,682)	(6,395,469)	(22,647,095)

Exhibit 3
Assets

Year-End 1985	Florida	Kansas	Massachusetts	New Hampshire	New York
Assets	$37,253,884	$5,894,884	$329,234,727	$27,268,035	$339,203,655
Invested	35,557,723	5,780,445	308,644,984	24,514,859	330,158,197
Bonds	31,511,680	0	299,420,702	18,194,147	304,167,727
Short Term	0	4,718,959	2,430,000	5,310,014	25,959,343
Cash	4,046,043	1,061,486	6,794,282	1,010,698	31,127
Other	0	0	0	0	0
Non-Invested	1,696,161	114,439	20,589,743	2,753,176	9,045,458
Premium Balance	739,983	0	11,658,541	2,173,895	1,140,912
Other	956,178	114,439	8,931,202	579,281	7,904,546
Embedded Yield	10.64%	Not Reported	Not Reported	9.85%	11.24%
Bond Maturity in Years	5.0	Not Reported	Not Reported	3.7	9.0

Year-End 1985	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
Assets	$47,672,988	$54,699,571	$19,351,273	$69,555,895	$69,008,247
Invested	46,252,509	47,690,134	18,803,355	57,551,478	67,292,777
Bonds	40,093,262	40,755,073	17,995,341	46,610,080	36,490,726
Short Term	5,348,870	400,100	855,000	8,793,387	30,131,761
Cash	810,377	534,727	(46,986)	2,148,011	(196,710)
Other	0	6,000,234	0	0	867,000
Non-Invested	1,420,479	7,009,437	547,918	12,004,417	1,715,470
Premium Balance	46,591	5,681,426	54,423	990,563	681,509
Other	1,373,888	1,328,011	493,495	11,013,854	1,033,961
Embedded Yield	Not Reported	9.00%	10.63%	10.29%	Not Reported
Bond Maturity in Years	Not Reported	4.1	1.6	2.2	Not Reported

Exhibit 4
Cash Flow

Year-End 1985	Florida	Kansas	Massachusetts	New Hampshire	New York
Income	$13,225,396	$1,342,124	$91,871,516	$14,407,287	$110,310,315
Premium	8,015,450	997,099	58,977,641	12,321,797	67,614,200
Investment Income	5,209,946	345,025	32,893,875	2,085,490	29,242,335
Other Income	0	0	0	0	13,453,780
Expenditures	14,287,301	3,279,336	59,859,945	5,453,193	32,368,467
Paid Claims	9,408,624	2,409,043	43,356,392	3,332,653	22,538,264
Loss Adj. Exp.	4,038,555	525,615	10,176,818	1,436,908	8,782,977
Other Expenses	840,122	344,678	6,326,735	683,632	1,047,226
Net Cash Flow	(1,061,905)	(1,937,212)	32,011,571	8,954,094	77,941,848

Year-End 1985	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
Income	$9,517,203	$18,374,703	$9,300,269	$18,640,542	$12,718,754
Premium	5,365,282	14,143,632	7,333,282	12,617,914	7,243,094
Investment Income	4,151,921	4,231,071	1,966,987	6,022,628	5,475,660
Other Income	0	0	0	0	0
Expenditures	6,350,485	12,374,893	7,853,938	14,013,072	13,442,466
Paid Claims	3,482,242	9,148,642	4,899,749	8,776,911	8,200,116
Loss Adj. Exp.	2,385,804	1,784,952	2,230,584	1,597,911	4,476,657
Other Expenses	482,439	1,441,299	723,605	3,638,250	765,693
Net Cash Flow	3,166,718	5,999,810	1,446,331	4,627,470	(723,712)

Exhibit 5
Loss and LAE Reserves

Year-End 1985	Florida	Kansas	Massachusetts	New Hampshire*	New York
Loss and LAE Reserves	$31,370,199	$4,893,280	$892,641,205	$48,313,767	$608,637,369
Loss Reserves	23,906,630	3,495,200	622,520,813	35,385,942	477,222,564
LAE Reserves	7,463,569	1,398,080	270,120,392	12,927,825	131,414,805
Loss Reserves	23,906,630	3,495,200	622,520,813	48,313,768	477,222,564
Pending	18,929,354	3,150,200	260,974,445	$10,825,013	209,264,506
IBNR	$ 4,977,276	$ 345,000	$361,546,368	37,488,755	$267,958,058
Pending Claims	Not Reported	85	3,686	299	2,206
Average Pending Claim		$ 37,061	$ 70,802	$ 36,204	$ 94,862

Year-End 1985	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
Loss and LAE Reserves	$40,413,518	$181,556,591	$32,209,768	66,234,097	$86,783,687
Loss Reserves	31,763,621	156,480,809	23,929,312	59,940,887	60,263,076
LAE Reserves	8,649,897	25,075,782	8,280,456	6,293,210	26,520,611
Loss Reserves	31,763,621	156,480,809	23,929,312	59,940,887	60,263,076
Pending	15,177,146	41,674,777	7,286,938	18,646,284	16,412,853
IBNR	$16,586,475	$114,806,032	$16,642,374	$41,294,603	$43,850,223
Pending Claims	Not Reported	901	494	551	1,147
Average Pending Claim		$ 46,254	$ 14,751	$ 33,841	$ 14,309

* Pending and IBNR Loss Reserves also include LAE Reserves

Exhibit 6
Pending Claims

Calendar Year	Florida	Kansas	Massachusetts	New Hampshire	New York
1975	Not Reported		36		79
1976	Not Reported		34	7	198
1977	Not Reported		103	15	188
1978	Not Reported		151	17	229
1979	Not Reported	1	226	31	248
1980	Not Reported		336	55	271
1981	Not Reported	1	479	50	323
1982	Not Reported	4	610	36	295
1983	Not Reported	16	573	37	262
1984	Not Reported	22	567	34	91
1985	Not Reported	41	571	17	22
Total	Not Reported	85	3,686	299	2,206

Calendar Year	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
1975	Not Reported	8		1	2
1976	Not Reported	15	3	28	10
1977	Not Reported	21	10	45	22
1978	Not Reported	34	7	54	32
1979	Not Reported	50	23	61	27
1980	Not Reported	90	28	62	46
1981	Not Reported	156	45	50	140
1982	Not Reported	208	121	60	314
1983	Not Reported	161	103	82	197
1984	Not Reported	94	97	54	183
1985	Not Reported	64	57	54	174
Total	Not Reported	901	494	551	1,147

Exhibit 7
Reserve Development

Florida (Fiscal Year)

Accident Year	Original Reserve	Developed Reserve	Redundency/ (Deficiency)
1975	$ 6,164,771	$ 7,297,771	($ 1,133,000)
1976	9,096,805	6,445,805	2,651,000
1977	6,562,029	6,248,771	313,258
1978	7,392,625	8,449,452	(1,056,827)
1979	5,808,681	10,238,881	(4,430,200)
1980	4,190,641	11,553,641	(7,363,000)
1981	4,363,976	18,551,984	(14,188,008)
1982	11,616,665	12,353,665	(737,000)
1983	9,723,880	9,087,710	636,170
1984	4,652,588	6,865,729	(2,213,141)
1985	10,251,607	10,251,607	0

New Hampshire

Original Reserve	Developed Reserve	Redundency/ (Deficiency)
Not Available	$ 3,309,535	
Not Available	3,444,172	
Not Available	7,658,600	
Not Available	8,042,983	
Not Available	8,422,646	
$ 2,664,765	5,552,173	($2,887,408)
6,565,788	6,842,444	(276,656)
12,413,053	8,144,867	4,268,186
9,245,517	10,649,576	(1,404,059)
14,309,916	14,309,916	0

New York

Accident Year	Original Reserve	Developed Reserve	Redundency/ (Deficiency)
1975	$ 8,084,387	$ 30,995,568	($22,911,181)
1976	44,007,000	74,381,025	(30,374,025)
1977	13,614,000	61,761,395	(48,147,395)
1978	23,668,000	60,779,479	(37,111,479)
1979	40,633,000	72,162,638	(31,529,638)
1980	42,346,997	74,500,998	(32,154,001)
1981	49,079,674	79,432,017	(30,352,343)
1982	65,175,744	63,898,700	1,277,044
1983	56,309,053	64,411,422	(8,102,369)
1984	30,476,829	34,993,498	(4,516,669)
1985	127,759,152	127,759,152	0

Rhode Island

Original Reserve	Developed Reserve	Redundency/ (Deficiency)
	Not Available	
	Not Available	
	Not Available	
	Not Available	
$10,128,614	$22,131,654	($12,003,040)
11,979,104	20,800,775	(8,821,671)
18,373,088	29,658,870	(11,285,782)
23,186,372	33,415,608	(10,229,236)
35,545,996	38,591,894	(3,045,898)
49,424,676	49,424,676	0

South Carolina (Fiscal Year)

Accident Year	Original Reserve	Developed Reserve	Redundency/ (Deficiency)
1975	$ 2,126,101	$2,603,948	($ 477,847)
1976	Not Available	2,095,852	
1977	Not Available	3,986,536	
1978	Not Available	3,653,092	
1979	3,737,827	5,119,514	(1,381,687)
1980	3,842,800	5,161,456	(1,318,656)
1981	3,869,282	6,150,558	(2,281,276)
1982	4,416,289	8,147,593	(3,731,304)
1983	5,021,646	7,456,239	(2,434,593)
1984	9,780,856	7,187,558	2,593,298
1985	11,369,569	8,828,585	2,540,984

Texas

Original Reserve	Developed Reserve	Redundency/ (Deficiency)
$ 5,767,277	$ 5,201,944	$ 565,333
9,211,976	9,089,105	122,871
8,819,748	9,362,503	(542,755)
6,451,681	10,455,859	(4,004,178)
3,728,214	9,625,278	(5,897,064)
3,380,338	8,567,057	(5,186,719)
3,342,294	7,042,592	(3,700,298)
3,944,716	8,232,318	(4,287,602)
8,628,249	11,149,623	(2,521,374)
23,864,797	23,864,797	0

Exhibit 8
Cumulative Payout Pattern

Year	Florida	New Hampshire	New York	Rhode Island	South Carolina	Texas
0	0.4%	0.1%	0.3%	0.1%	1.0%	0.5%
1	7.3	3.8	0.7	2.4	6.8	3.5
2	26.3	15.0	1.9	6.6	23.0	15.3
3	50.0	28.5	4.8	17.1	41.7	27.2
4	72.7	40.5	10.3	28.8	64.6	43.5
5	84.8	58.5	17.1	42.0	78.3	62.0
6	92.0	73.6	24.6	53.4	84.4	72.1
7	97.0	77.2	35.1	64.0	89.3	77.5
8	98.8	80.9	45.3	77.4	95.2	80.7
9	100.0	86.7	51.5	80.8	99.2	83.6
10		93.2	60.0	84.7	100.0	87.1
11		98.1	67.7	88.2		90.3
12		99.7	73.5	91.4		93.5
13		100.0	77.8	94.6		96.8
14		100.0	81.6	100.0		98.4
15		100.0	84.4			100.0
16			88.3			
17			89.8			
18			94.4			
19			96.8			
20			100.0			
Median Payout Term-Years	3.0	4.5	8.8	5.7	3.4	4.4

Exhibit 9A
Florida Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Fiscal Accident Year Ending 1978	1979	1980	1981	1982	1983	1984	1985	1986	Average
0	0.5%	0.6%	1.0%	0.5%	0.6%	0.3%	0.1%	0.3%	0.0%	0.4%
1	7.7	5.6	6.2	7.7	5.2	7.3	10.0	7.1	8.0	7.3
2	37.9	24.2	21.2	22.8	16.4	28.0	20.9	27.0	28.5	26.3
3	71.9	48.1	47.8	46.5	32.3	43.3	46.3	50.3	50.9	50.0
4	85.2	81.3	67.3	66.1	59.6	71.4	72.6	74.8	75.7	72.7
5	91.5	91.4	83.1	79.6	77.5	84.1	84.8	86.0	86.4	84.8
6	94.2	94.1	89.6	89.5	88.1	91.7	92.1	92.7	92.9	92.0
7	97.6	96.8	95.6	95.8	95.1	96.6	96.8	97.1	97.1	97.0
8	98.5	98.9	98.5	98.5	98.3	98.8	98.9	99.0	99.0	98.8
9	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	2.4	3.1	3.1	3.2	3.6	3.2	3.1	3.0	3.0	3.0

Exhibit 9B
New Hampshire Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1980	1981	1982	1983	1984	1985	Average
0	0.1%	0.1%	0.4%	0.2%	0.0%	0.0%	0.1%
1	1.0	12.6	3.7	2.0	0.5	3.1	3.8
2	21.5	19.4	13.2	13.8	9.9	12.4	15.0
3	32.7	25.1	26.9	30.5	27.0	29.0	28.5
4	49.1	39.0	38.5	41.0	36.9	38.7	40.5
5	54.5	59.2	59.0	60.7	58.1	59.3	58.5
6	71.1	73.8	73.9	75.1	73.5	74.3	73.6
7	75.1	78.2	77.7	78.5	76.5	77.2	77.2
8	79.3	82.2	81.6	82.0	79.9	80.6	80.9
9	85.5	87.8	87.2	87.4	85.9	86.3	86.7
10	92.6	93.7	93.4	93.6	92.8	93.1	93.2
11	97.9	98.1	98.1	98.2	98.0	98.1	98.1
12	99.7	99.7	99.7	99.8	99.8	99.8	99.7
13	100.0	99.9	100.0	100.0	100.0	100.0	100.0
14	100.0	100.0	100.0	100.0	100.0	100.0	100.0
15	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	4.2	4.5	4.6	4.5	4.6	4.5	4.5

Exhibit 9C

New York Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Average
0	0.0%	0.5%	0.1%	0.0%	0.3%	0.3%	0.4%	0.5%	0.6%	0.9%	0.1%	0.3%
1	0.5	1.0	0.6	0.6	0.7	0.6	0.6	0.6	0.9	1.2	0.2	0.7
2	1.6	2.3	2.2	1.9	2.0	1.6	1.7	1.4	2.0	3.0	0.7	1.9
3	3.5	7.3	6.9	5.1	4.9	3.8	3.3	3.5	6.2	7.1	1.7	4.8
4	10.0	13.5	9.8	11.7	11.5	9.0	6.8	10.6	13.1	13.9	3.4	10.3
5	14.9	21.2	16.5	16.5	18.6	15.4	16.2	19.4	21.6	22.4	5.5	17.1
6	20.9	26.9	22.4	23.4	23.5	25.7	25.6	28.3	30.2	30.9	13.1	24.6
7	27.3	34.0	35.9	31.8	35.9	37.6	37.0	39.1	40.7	41.3	26.2	35.1
8	42.3	41.7	43.7	44.7	47.3	48.2	46.5	47.9	49.3	49.8	37.0	45.3
9	46.9	48.4	53.3	53.1	54.5	54.8	51.8	52.7	53.8	54.3	42.9	51.5
10	55.3	63.1	64.7	63.2	63.2	62.9	58.6	58.9	59.8	60.2	50.5	60.0
11	67.0	73.6	73.2	71.1	70.4	69.6	65.0	64.9	65.6	66.0	57.8	67.7
12	75.3	80.9	79.3	77.0	75.8	74.9	70.1	69.9	70.5	70.8	63.8	73.5
13	81.2	86.0	83.7	81.3	79.9	78.9	74.2	73.8	74.2	74.5	68.5	77.8
14	85.8	89.9	87.3	84.9	83.3	82.3	77.9	77.4	77.8	78.1	73.0	81.6
15	88.0	91.4	89.2	87.2	85.9	85.0	81.3	80.9	81.2	81.4	77.1	84.4
16	90.9	93.6	91.9	90.4	89.4	88.7	85.9	85.6	85.9	86.0	82.7	88.3
17	92.1	94.4	93.0	91.6	90.8	90.2	87.8	87.5	87.7	87.9	85.0	89.8
18	95.7	96.9	96.1	95.4	94.9	94.6	93.3	93.2	93.3	93.3	91.8	94.4
19	97.5	98.2	97.8	97.4	97.1	96.9	96.2	96.1	96.1	96.2	95.3	96.8
20	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	9.4	9.1	8.7	8.6	8.4	8.3	8.7	8.4	8.2	8.1	9.9	8.8

Exhibit 9D

Rhode Island Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Average
0	0.3%	0.2%	0.1%	0.1%	0.4%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
1	1.6	0.6	0.6	0.8	1.7	0.9	6.6	1.3	6.2	4.0	2.4
2	4.3	3.1	1.9	3.0	13.4	3.9	12.4	7.1	9.1	7.6	6.6
3	10.0	5.5	10.4	15.8	27.7	16.1	20.4	20.9	23.0	21.4	17.1
4	19.6	10.7	15.8	34.0	44.1	24.1	33.9	34.4	36.5	34.9	28.8
5	21.8	34.2	24.8	58.5	51.1	38.8	47.4	47.1	48.3	47.5	42.0
6	40.0	44.5	43.7	60.1	61.0	51.3	58.1	57.8	59.0	58.3	53.4
7	60.9	70.3	44.9	68.1	68.7	61.0	66.6	66.1	67.1	66.5	64.0
8	78.8	72.5	67.4	80.6	80.6	76.1	79.7	79.1	79.9	79.4	77.4
9	78.2	77.1	73.0	83.9	83.9	80.0	83.2	82.4	83.1	82.8	80.8
10	83.9	81.8	78.6	87.2	87.2	83.9	86.7	85.8	86.3	86.2	84.7
11	87.8	85.8	83.4	90.2	90.0	87.4	89.8	88.8	89.3	89.2	88.2
12	91.1	89.8	87.8	92.9	92.7	90.8	92.7	91.7	92.3	92.2	91.4
13	94.4	93.7	92.3	95.7	95.3	94.2	95.5	94.7	95.2	95.2	94.6
14	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	6.5	6.2	7.2	4.7	4.8	5.9	5.2	5.3	5.2	5.2	5.7

Exhibit 9E

South Carolina Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Average
0	0.1%	0.3%	4.9%	0.2%	1.5%	0.1%	1.5%	0.1%	0.3%	0.2%	1.3%	1.0%
1	8.8	7.7	11.7	2.7	7.9	2.0	5.7	5.8	5.4	9.9	7.0	6.8
2	12.2	22.0	26.0	18.4	22.5	20.5	29.7	28.2	22.9	26.6	24.2	23.0
3	23.2	49.3	53.3	29.0	35.6	48.7	43.8	44.7	42.2	45.2	43.2	41.7
4	40.5	60.0	72.6	58.2	71.3	69.8	69.6	67.9	66.2	68.0	66.9	64.6
5	46.7	73.9	82.7	83.4	81.9	83.8	82.7	81.9	80.9	81.9	81.3	78.3
6	61.0	82.9	87.8	87.5	89.2	87.8	87.0	86.5	85.7	86.5	86.0	84.4
7	76.0	87.5	90.6	89.3	92.8	91.9	91.4	91.0	90.4	91.0	90.7	89.3
8	96.0	90.5	96.3	94.7	96.4	95.9	95.7	95.5	95.2	95.5	95.3	95.2
9	100.0	98.6	99.5	99.0	99.3	99.2	99.2	99.1	99.1	99.1	99.1	99.2
10	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	5.2	3.1	2.9	3.7	3.4	3.1	3.2	3.2	3.3	3.2	3.3	3.4

Exhibit 9F

Texas Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Average
0	0.2%	3.4%	0.1%	0.0%	0.0%	0.3%	0.5%	0.0%	0.1%	0.3%	0.5%
1	5.1	8.1	2.6	0.7	5.5	2.3	6.1	0.9	2.6	1.3	3.5
2	18.8	13.3	4.7	15.1	14.0	17.8	18.3	17.9	17.3	16.2	15.3
3	28.1	22.2	12.6	27.3	30.4	29.2	40.7	27.7	27.2	26.2	27.2
4	52.1	32.0	20.2	32.4	49.0	52.6	56.8	47.2	46.9	46.2	43.5
5	66.9	43.5	44.3	37.4	62.1	74.5	76.8	71.7	71.5	71.1	62.0
6	74.7	51.7	47.0	60.6	75.2	83.3	84.8	81.4	81.3	81.1	72.1
7	77.2	57.4	52.5	71.0	81.7	87.7	88.8	86.3	86.2	86.0	77.5
8	77.7	66.4	59.3	75.1	84.3	89.5	90.4	88.3	88.2	88.0	80.7
9	78.0	72.0	66.1	79.3	86.9	91.2	92.0	90.2	90.2	90.0	83.6
10	84.4	77.6	72.9	83.4	89.5	93.0	93.6	92.2	92.1	92.0	87.1
11	88.3	83.2	79.7	87.6	92.2	94.7	95.2	94.1	94.1	94.0	90.3
12	92.2	88.8	86.4	91.7	94.8	96.5	96.8	96.1	96.1	96.0	93.5
13	96.1	94.4	93.2	95.9	97.4	98.2	98.4	98.0	98.0	98.0	96.8
14	98.0	97.2	96.6	97.9	98.7	99.1	99.2	99.0	99.0	99.0	98.4
15	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	3.9	5.8	6.5	5.5	4.0	3.9	3.6	4.1	4.1	4.2	4.4

Exhibit 10

Discounted Reserves

Year-End 1985	Florida(1)	Kansas(2)	Massachusetts(3)	New Hampshire	New York
Invested Assets	$35,557,723	$5,780,445	$308,644,984	24,514,859	330,158,197
Discounted Reserves	34,704,948	3,425,296	490,952,663	34,822,576	334,603,512
Difference	852,775	2,355,149	(182,307,679)	(10,307,717)	(4,445,315)

Year-End 1985	Pennsylvania(4)	Rhode Island	South Carolina(5)	Texas	Wisconsin
Invested Assets	$46,252,509	$47,690,134	$18,803,355	57,551,478	67,292,777
Discounted Reserves	40,413,518	126,158,406	22,912,118	47,393,060	60,748,581
Difference	5,838,991	(78,468,272)	(4,108,763)	10,158,418	6,544,196

(1) Discounted 6-30-86 reserve, invested assets at 12-31-85
(2) Discounting assuming short runoff
(3) Discounting assuming long runoff
(4) Statutory reserve discounted at 6%
(5) Discounted developed 6-30-86 reserve, invested assets at 12-31-85

Exhibit 11

Current Invested Assets vs. Reserve Runoff

	New Hampshire		Rhode Island		South Carolina		New York	
Year	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets
1985		$ 24,514,859		$ 47,690,134		$ 18,803,355		$330,158,197
1986	$ 6,980,136	18,713,762	$20,631,402	29,158,560	$6,613,602	13,164,126	$60,496,000	287,721,031
1987	7,503,226	13,053,896	22,903,284	8,879,546	6,659,888	7,903,892	59,313,000	260,744,092
1988	7,644,507	6,695,235	25,568,960	(15,890,255)	5,492,701	3,251,560	55,742,000	234,306,299
1989	6,643,343	711,392	22,632,550	0	4,318,580	(721,303)	50,251,000	210,388,247
1990	6,470,272	(5,688,805)	20,062,488	0	2,596,681	0	43,347,000	190,686,120
1991	4,019,995	0	16,515,566	0	1,451,790	0	43,058,000	169,058,733
1992	2,056,685	0	13,531,231	0	1,100,394	0	43,785,000	144,273,711
1993	2,038,421	0	11,566,164	0	749,172	0	37,442,000	123,046,180
1994	2,066,237	0	6,509,116	0	399,656	0	29,137,000	107,737,953
1995	1,666,033	0	5,882,892	0	79,676	0	29,292,000	90,554,282
1996	927,540	0	4,961,412	0	0	0	26,876,000	73,855,393
1997	266,170	0	4,386,821	0	0	0	23,830,000	58,325,768
1998	30,395	0	3,309,511	0	0	0	20,396,000	44,484,817
1999	458	0	2,398,760	0	0	0	19,225,000	30,259, 326
2000	342	0	0	0	0	0	16,223,000	17,437,076
2001	0	0	0	0	0	0	16,378,000	3,018,774
2002	0	0	0	0	0	0	9,202,000	(5,843,955)
2003	0	0	0	0	0	0	12,100,000	0
2004	0	0	0	0	0	0	5,800,000	0
2005	0	0	0	0	0	0	6,004,000	0
Remaining Liability	$18,761,081		$127,646,766		$7,098,672		$29,747,955	

Exhibit 12A

Florida Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978	20.9%	20.9%	7-9-78
1979	-24.8%	-24.8%	5-28-79
1980	-25.0%	-25.0%	5-15-80
1981	10.0%	10.0%	6-29-81
1982	30.4%	30.4%	9-9-82
1983	25.4%	25.4%	6-28-83
1984	77.6%	77.6%	6-1-84
1985	46.4%	46.4%	7-1-85

Florida Rate Filings for Hospitals and Other Facilities

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978	-8.6%	-8.6%	7-9-78
1979	-19.6%	-19.6%	5-28-79
1980	-25.0%	-25.0%	5-15-80
1981	17.3%	17.3%	6-29-81
1982	29.5%	29.5%	9-9-82
1983	50.4%	50.4%	6-28-83
1984	41.4%	41.4%	6-1-84
1985	6.2%	6.2%	7-1-85

Exhibit 12B

New Hampshire Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978			
1979			
1980	45.0%	45.0%	6-24-80
1981	50.0%	50.0%	6-2-81
1982	70.0%	70.0%	6-9-82
1983	30.0%	30.0%	6-83
1984	Basic 5.1%	5.1%	6-13-84
	Excess 15.0%	15.0%	6-13-84

Exhibit 12C
New York Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	90.0%	15.5%	6-77
1978	98.0%	Disapproved	6-78
1979	104.0%	Disapproved	6-79
1980	186.0%	Disapproved	6-80
1981	210.0%	58.5%	10-81
1982	243.0%	15.0%	12-82
1983	180.0%	83.3%	1-85
1984	62.0%	52.3%	1-85
1985	128.0%	14.0%	7-86

Exhibit 12D
Rhode Island Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978	34.1%		No hearing
1979	9.7%	9.7%	6-27-79
1980	25.3%		Withdrawn
1981	Basic 7.4%		
	Excess 12.7%		
	Total 21.0%	12.7%	6-17-81
1982	Basic 41.3%	23.1%	6-23-82
1983	Basic 43.3%	24.0%	6-30-83
	Excess 24.7%		
1984	Basic 44.6%	11.5%	6-27-84
	Excess 25.9%	16.7%	
1985	Basic 101.3%	30.0%	6-28-85
	Excess 14.8%	14.8%	
	Total 131.3%		

Exhibit 12E
South Carolina Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	Physicians	50.0%	50.0%	7-1-77
1978	Hospital	133.0%	133.0%	7-1-78
1979				
1980				
1981	Physicians	40.0%	40.0%	7-1-81
1982				
1983	Physicians	25.0%	25.0%	7-1-83
	Hospital	20.0%	20.0%	7-1-83
1984				
1985	Physicians	25.0%	25.0%	1-1-85
	Hospital	40.0%	40.0%	1-1-85
1986	Physicians	30.0%	30.0%	1-9-86
	Hospital	45.0%	45.0%	1-9-86

Exhibit 12F
Texas Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1979			
1980			
1981	50.0% (A)	Disapproved	4-16-81
1982			
1983	263.0% (B)	263.0%	11-10-83
1984			
1985	50.0% (C)	50.0%	5-21-85
	50.0% (D)	50.0%	10-29-85

(A) Hospital
(B) Dentists and oral surgeons
(C) Physicians, surgeons, hospitals, and other institutions
(D) Podiatrists

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Financial Condition of Medical Malpractice JUAs

June 1987

Prepared by the Alliance of American Insurers
for the National Coordinating Committee
on Medical Malpractice JUAs.

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Executive Summary

The financial condition of ten medical malpractice JUAs established in the late 1970's is of growing concern to the property-casualty insurance industry. These JUAs provide medical malpractice coverage for health care providers in Florida, Kansas, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, South Carolina, Texas, and Wisconsin. Based on their most recent results, only one, Pennsylvania, reported a statutory surplus. Florida and Kansas each reported a $0 surplus. The other seven reported statutory deficits ranging from $6.4 million in Texas to more than a $600 million in Massachusetts. In the seven states with deficits, private insurers can be assessed to cover the deficits although to-date no JUA except Texas has assessed insurers.

In response to this and other concerns, the National Coordinating Committee on Medical Malpractice JUAs was reactivated in 1985. The Committee was originally created in the late 1970's to assist the fledgling medical malpractice JUAs and later deactivated. Upon reactivation, the Committee established the Financial Data Subcommittee to examine the financial condition of the medical malpractice JUAs. The Subcommittee was specifically charged to collect data on the financial condition of each medical malpractice JUA and to issue a report accurately reflecting each JUA's financial condition.

The Subcommittee designed a survey to collect the necessary data. The form was sent to each of the ten medical malpractice JUAs. Six JUA's, Florida, New Hampshire, New York, Rhode Island, South Carolina, and Texas, completed and returned the entire questionnaire. Four JUAs, Kansas, Massachusetts, Pennsylvania, and Wisconsin, supplied only annual statement data.

The analysis for each JUA concentrates on assets, cash flow, statutory reserves, discounted reserves, and rate filing history. Because of the limited amount of data supplied by four states, the analysis is not as thorough for them as that for the other six states.

Major Findings

- Five JUAs, Massachusetts, New Hampshire, New York, Rhode Island, and South Carolina, are estimated to have insufficient funds to pay all existing claim liabilities even after taking into consideration the investment income expected to be earned on current invested funds. The deficiencies would increase if current reserves are understated, current investment yields are not maintained, or if securities have to be sold at less than full value.

JUA	Deficiency
Massachusetts	$182.3 million
Rhode Island	78.5 million
New Hampshire	10.3 million
New York	4.4 million
South Carolina	4.1 million

- The other five JUAs, Florida, Kansas, Pennsylvania, Texas, and Wisconsin appear to currently have sufficient funds to pay existing claim liabilities if future investment income expected to be earned on current funds is taken into consideration. Deficiencies, however, could quickly develop for any of these JUAs if current reserves are understated, current investment yields are not maintained, or if securities have to be sold at less than full value in order to pay claims.

Additional Findings

Other findings include:

- Market Share - The 1985 JUA medical malpractice market shares ranged from a low of 3.2% in Pennsylvania to a high of 87.4% in Rhode Island.

Market Share

State	Market Share
Florida	5.5%
Kansas	3.8%
Massachusetts	73.0%
New Hampshire	56.1%
New York	12.5%
Pennsylvania	3.2%
Rhode Island	87.4%
South Carolina	52.4%
Texas	11.8%
Wisconsin	20.7%

- Assets - Government bonds usually comprise the major share of the assets in JUA investment holdings. The balance of the invested assets is almost always in cash and short term investments.

Portfolio Distribution

State	Bonds	Other
Florida	86%	14%
Kansas	0%	100%
Massachusetts	91%	9%
New Hampshire	67%	33%
New York	90%	10%
Pennsylvania	84%	16%
Rhode Island	75%	25%
South Carolina	93%	7%
Texas	67%	33%
Wisconsin	53%	47%

- Portfolio Yields and Average Time to Maturity for Bonds — Portfolio yields vary little among the reporting JUAs ranging from 9% in Rhode Island to 11.24% in New York. The average time to maturity for bonds, however, varies considerably for reporting JUAs ranging from 1.6 years in South Carolina to 9.0 years in New York.

State	Portfolio Yield	Average Time To Maturity for Bonds
Florida	10.6%	5.0 years
New Hampshire	9.9%	3.7 years
New York	11.2%	9.0 years
Rhode Island	9.0%	4.1 years
South Carolina	10.6%	1.6 years
Texas	10.3%	2.2 years

- Cash Flow - Three states had negative cash flow in 1985, Kansas, Florida, and Wisconsin.

Cash Flow
($ In Thousands)

State	1985 Cash Flow
Florida	($ 1,062)
Kansas	($ 1,937)
Massachusetts	$32,012
New Hampshire	$ 8,954
New York	$77,942
Pennsylvania	$ 3,167
Rhode Island	$ 6,000
South Carolina	$ 1,446
Texas	$ 4,627
Wisconsin	($ 724)

- Statutory Reserve - The initial accident-year loss and loss adjustment expense reserves established by the JUA's have almost always proved to be too low.

- Rating Filings - Three states, Florida, New Hampshire, and South Carolina, have always received requested rate increases and received them in a timely manner. Texas has had only one rate increase disapproved and has received approval on three occasions. Two states, New York and Rhode Island, have, historically, never received approval for the amount of the rate increases they have requested. When rate increases were approved in these two states, they were for substantially less than requested and in the New York usually long after the requested effective date.

Introduction

In response to the medical malpractice crisis of the mid-1970s, many states enacted laws allowing the insurance commissioner to establish a JUA if the commissioner deemed it necessary in order to provide medical malpractice coverage for health care providers. Ten of the medical malpractice JUAs established in the late 1970's still offer coverage to health care providers. These JUAs exist in Florida, Kansas, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, South Carolina, Texas, and Wisconsin. The market shares for these JUAs range from 3% to more than 85%. Virginia, Minnesota, and Puerto Rico established medical malpractice JUAs in 1986, but they are not included in this study because of their recency.

When the National Coordinating Committee on Medical Malpractice JUAs was reactivated in 1985, one of its main concerns was the financial stability of the medical malpractice JUAs. All states except Kansas and Pennsylvania currently have provisions to assess insurers to cover unfunded JUA liabilities. A review of the JUA 1985 statutory results heightened this concern because all but three of the ten JUAs had substantial deficits. The deficits ranged from more than six million to several hundred million dollars.

In response to this concern, the Committee created the Financial Data Subcommittee charging it with the responsibility of collecting data on the financial condition of each medical malpractice JUA and issuing a report accurately reflecting each JUA's financial condition.

After reviewing existing public documents including annual statements and financial reports, the Subcommittee concluded that additional data was needed to fulfill its charge. To this end, the Subcommittee designed a survey to collect data regarding historical claim payments, anticipated reserve runoff, reserve development, claim detail, investment data, and rate filing history in addition to selected annual statement data items. A copy of the survey form is attached as Appendix A. The form was sent to each of the ten JUAs. Six JUAs, Florida, New Hampshire, New York, Rhode Island, South Carolina, and Texas, completed and returned the entire questionnaire.[1] For various reasons the remaining four JUAs, Kansas, Massachusetts, Pennsylvania, and Wisconsin, supplied only annual statement data.

Statutory Balance Sheet for Medical Malpractice JUAs

(dollars in thousands)

State	Statement Date	Assets	Liabilities	Statutory Surplus
Florida	12/85	$ 37,254	$ 37,254	$ 0
Kansas	6/86	5,895	5,895	0
Massachusetts	12/85	329,235	933,924	(604,689)
New Hampshire	12/85	27,268	55,366	(28,098)
New York	12/85	339,204	654,100	(314,896)
Pennsylvania	12/85	47,673	42,648	5,025
Rhode Island	12/85	54,700	194,567	(139,867)
South Carolina	12/85	19,351	37,794	(18,443)
Texas	12/85	69,556	75,951	(6,395)
Wisconsin	12/85	69,008	91,655	(22,647)

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[1] Claim detail requested in Supplemental Parts 6 & 7 of the survey were not reported by most JUAs because they did not have the data. No analysis was done on the limited data reported.

The analysis for each JUA concentrates on:

- Assets - including portfolio mix, investment quality, yield, and bond maturity.
- Cash Flow - including income and expenditure components.
- Statutory Reserves - including pending claim reserves (reserves for claims actually reported to the JUA, but not yet settled) IBNR claim reserves, loss adjustment expense reserves, pending claims, average pending claim size, and developed reserves as of the latest valuation date.
- Discounted Loss and Loss Adjustment Expense Reserves - including comparison to invested assets, and an estimate of when invested assets can be expected to be exhausted if (1) the discounted reserve is larger than the invested assets and (2) the JUA has no additional income.
- Rate Filing History - including a comparison of requested rate changes to approved rate changes.

The most critical part of the analysis is the discounting of loss and loss adjustment expense reserves. Discounting provides an estimate of the current amount of funds which if invested will be sufficient to pay current liabilities as they become payable in the future. If the discounted value is less than current funds, all future payments can be expected to be made. If the discounted value is greater than current funds, funds can be expected to be exhausted before all claims are paid. In the latter case insurers may have to provide the additional money to pay the claims.

Four critical assumptions are inherent to discounting. The discounting assumptions are:

- The total loss and loss adjustment expense reserve is adequate. This may be an optimistic assumption given that, historically, initial reserves have proved to be inadequate. If current reserves are inadequate, the discounted value of the future payments is understated.
- The reserve runoff will occur as predicted. If claims are paid sooner than expected, the discounted reserve will be understated.
- The embedded yield (weighted average return) on the bond portfolio will be obtained throughout the runoff period. This assumption may be somewhat optimistic. For most states, the current embedded yields are approximately 10%. The bonds in most states will mature before the funds are needed to pay claims. The funds, therefore, will have to be reinvested. With current yields much less than embedded yields, the JUAs may not be able to reinvest the funds at rates sufficiently high to maintain the current embedded yield. If the JUAs cannot maintain their current embedded yields, the discounted reserve will be understated.
- The JUA will be able to obtain full value for its bonds. For most JUAs, bond maturity is sooner than when liabilities are due. Over the next two or three years most JUAs should receive full value for their current bond holdings. If JUAs reinvest in securities that mature as liabilities fall due, they should receive the full value of their investments. If they do not reinvest so that maturities match when liabilities are due, they may have to sell securities at less than their full value. The discounting assumes bond maturity will match when liabilities are due.

Understated discounted reserves will have a negative impact on results. If a JUA appears to have sufficient funds to pay claim liabilities, the funds may not be sufficient if discounted reserves are understated. If a JUA appears to have insufficient funds to pay claim liabilities, the deficiency will be larger if discounted reserves are understated.

The discounted reserve is compared to invested assets in order to determine if assets on hand are sufficient to meet the future runoff. Other assets exist, usually premium balances and accrued interest which, when received, would be available for investment purposes or the payment of claims. Invested assets are used because they represent funds the JUAs actually hold.

The remainder of the report contains three sections. Immediately following is the detailed analysis of each JUA. This section contains a separate analysis of each JUA. The next section contains exhibits displaying the data referred to in the first section. Each exhibit contains data for all JUAs in order to facilitate comparisons. The last section is the appendix which contains the questionnaire.

Florida Medical Malpractice JUA

History

The Florida JUA was activated July 1, 1975. Members include all liability insurers, medical malpractice insurers, and certain self-insurers. The JUA was established to provide coverage for all health care providers. The JUA currently has about 5.5% of the medial malpractice market share based on premiums. (See Exhibit 1).

Funding and Deficit Provisions

Funds for the JUA come from 1) premiums, 2) assessments on policyholders, and 3) assessments on insurers. If a deficit occurs, policyholders could be assessed up to one-third of their annual premium. If this assessment is not sufficient to cover the deficit, members can be assessed based on their total premium volume in the state. There is no provision for the insurers to recoup their assessment.

Balance Sheet

As of year-end 1985, the Florida JUA balance sheet showed assets and liabilities of $37.3 million resulting in no surplus. (See Exhibit 2). The Florida JUA accounting procedures are unique in that the unearned premium reserve includes not only the traditional unearned premium reserve but also any refund due the policyholders or any deficit accrued by the JUA. As a result, the JUA always has a surplus of zero. These accounting principles are prescribed by the Florida Insurance Department.

Assets

Of the $37.3 million in assets, $35.6 million are invested. (See Exhibit 3). Of this amount, $31.5 million is invested in bonds. The balance is held in cash. The bonds have an embedded (weighted average) yield of 10.64%. Most of the bonds, $17.5 million, are non-governmental bonds. Of this amount, $13.1 million are rated A or better by Moody with the balance, $4.4 million, rated B to Baa. On average the bonds will mature in 5 years. The average in this case is misleading since 72% of the bonds mature in 3 years. Premium balances ($740,000) and interest income accrued ($950,000) comprise the non-invested assets of the JUA.

Cash Flow

In 1985 the Florida JUA had a $1.1 million negative cash flow. (See Exhibit 4). This amount does not include the more than $14 million payment to the Patient's Compensation Fund.[2] JUA income totaled $13.2 million with $8.0 million from premiums and $5.2 million from investment income. Expenditures were $14.3 million of which $9.4 million went for claim payments, $4.0 million went for loss adjustment expense, and almost $900,000 went for operating expenses.

Statutory Reserves

As of year-end 1985, the JUA reported loss and loss adjustment expense reserves of $31.4 million. (See Exhibit 5) Almost $24 million of this amount was for loss reserves, and $7.5 million was for loss adjustment expense reserves. The loss reserve is comprised of two segments - $18.9 million for pending claims (i.e., claims reported to the JUA that are not yet settled) and the remaining $5 million for IBNR claims.

Reserve Development

Accident-year reserve developments as of fiscal year-end 1986 in Florida have been very unusual compared to other JUAs studied in that original accident-year reserves have ranged from $2.7 million too high to $14.2 million too low. (See Exhibit 7). There has also been a substantial fluctuation from accident-year to accident-year in the size of the developed accident-year reserve. A developed accident-year reserve is the reserve that would have been established at the end of the accident-year if what is known now about actual payments and the current reserve estimates had been known at the time of accident-year reserve was established. The developed accident-year reserve is the sum of the payments since the end of the accident-year for claims incurred in the accident-year plus the current reserve for claims incurred in the accident-year.

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[2] The JUA was required to offer health care providers coverage for deficit assessments issued by the Patient's Compensation Fund for the 1982-1983 fiscal year. The $14 million payment covering the assessment liability was paid in 1985.

For the first fiscal-year, 1975, the developed accident-year reserve is estimated to be $7.3 million. The developed accident-year reserve fell for the next two years to $6.2 million and then rapidly increased over the next four years to $18.6 million in 1981. Subsequently, the developed accident-year reserve fell to $6.9 million in 1984 while the 1985 accident-year reserve is up to $10.3 million. A detailed analysis of the number of claims, number of insureds, and the size of the claims for each of those years would be necessary in order to understand this substantial variation in the developed accident-year reserves.

Claim Payout

The median time to pay half of the ultimate incurred losses (the total amount expected to be paid for any accident-year) in Florida is shorter, 3.0 years, than in any other state. (See Exhibit 8). Despite the unusual accident-year reserve development, the payout pattern has also been consistent for most years. (See Exhibit 9A). For most years the median time is between 3.0 and 3.2 years. The consistency, however, is largely due to the estimated reserve runoff patterns being the same for each accident-year. Only after several more years have passed will any changes in the accident-year runoff patterns be evident.

Discounted Reserve

Florida reported two loss and loss adjustment expense reserves. From the annual statement for end-year 1985, $31.4 million was reported. The second figure, $42.4 million, was reported for the fiscal-year ending June 30, 1986. The latter figure is comprised of the accident-year reserves which in turn are broken down by when payments are expected to be made.

Assuming (1) the June 30, 1986 reserve estimate is adequate, (2) the estimated runoff pattern is reasonably accurate, (3) invested assets at June 30, 1986 are the same as at year-end 1985 (this is necessary because assets at June 30, 1986 are not available), (4) these investments will continue to earn their current rate, and (5) full value of the invested assets will be received if forced to sell before maturity, an estimate of how much has to be set aside today in order to meet those loss payments and loss adjustment expense payments can be made. The amount to set aside, or present value, is $34.7 million or $900,000 less than the invested assets. (See Exhibit 10) It would appear, therefore, that if all the assumptions are correct, invested assets in the Florida JUA are just enough to meet future payment obligations.

Rate Filing

The Florida JUA has always received timely approval for requested rate changes. (See Exhibit 12A). During the period 1978 to 1980, physician and surgeon rates decreased, although physician and surgeons rates have increased annually from 10% in 1981 to 77.6% in 1984. The 1985 filed and approved rate increase was 46.4%. The rate filing history for hospitals and other facilities is similar to that for physicians. Rates decreased between 1978 and 1980 and then increased substantially.

Conclusion

The financial condition of the Florida JUA is not strong. If reserves are discounted, current invested assets are just sufficient to cover the existing claim liability. If current yields aren't maintained or reserves are inadequate, current invested assets would be insufficient to cover existing claim liabilities.

Kansas Medical Malpractice JUA

History

The Kansas JUA became operational July 1, 1976. Members include all liability insurers. The JUA was established to provide insurance to all health care providers in the state. The JUA currently writes about 4% of the medical malpractice market based on premium volume. (See Exhibit 1).

Funding and Deficit Provisions

Funding comes from three sources: 1) premiums, 2) the Health Care Stabilization Fund, and 3) taxpayers. If a deficit occurs in the JUA, the Health Care Stabilization Fund, financed through service charges on health care provider annual premiums, is responsible for the deficit. If the Health Care Stabilization Fund cannot cover the deficit, the state general fund is to cover the deficiency. Any amount transferred from the state to the Stabilization Fund is supposed to be repaid. To date, the Stabilization Fund has had sufficient funds to meet the JUA deficit. This study did not collect financial information on the Stabilization Fund.

Balance Sheet

For the fiscal year ending June 30, 1986, the JUA reported assets of $5.9 million with an equal amount of liabilities. (See Exhibit 2). The JUA accounting practices report as an asset the money due from the Stabilization Fund in the case of a deficit. In the case of a surplus, the surplus is listed as a liability due the Stabilization Fund. As a result, the surplus is always zero.

Assets

The JUA invests $5.8 million of the $5.9 million in assets. (See Exhibit 3). About $4.7 million is invested in short term treasury notes with the balance of $1.1 million held in cash. The $100,000 not invested is in interest income due and accrued.

The JUA reported only limited annual statement data. Consequently, investment yield and bond maturity data are not available.

Cash Flow

Cash flow was a negative $1.9 million for the year ending June 30, 1986. (See Exhibit 4). Income from all sources amounted to $1.3 million with $1.0 million from premiums and $300,000 from investment income. Expenditures amounted to $3.3 million of which $2.4 million went for paid claims, $500,000 went for loss adjustment expenses, and almost $400,000 went for operating expenses.

Statutory Reserve

The $4.9 million loss and loss adjustment expense reserve is comprised of $3.5 million for loss reserves and $1.4 million for loss adjustment expense reserves. (See Exhibit 5). The loss reserves, in turn, are comprised of $3.2 million for pending claims and $300,000 for IBNR claims. The average reserve value for the 85 pending claims is $37,000.

Pending Claims

Typically medical malpractice claims are reported long after the medical procedure responsible for the injury took place. Consequently, the number of pending claims for recent years are usually less than the number of pending claims for earlier years. The highest number of pending claims are usually for the three or four years prior to the current year. The number of pending claims for even earlier years usually declines steadily.

This description of the usual pending claim pattern does not hold for Kansas. The number of pending claims is highest in the most recent year, 1985. The number of pending claims rapidly declines suggesting a relatively fast runoff. (See Exhibit 6).

Discounted Reserve

Although the estimated reserve runoff was not supplied (Kansas supplied only annual statement data), a rough estimate of the discounted reserve can be made. As noted above, the Kansas claims may runoff faster than medical malpractice claims in other states. Of the six states supplying estimated runoff data, those with the fastest runoff, Florida, New Hampshire, Rhode Island, South Carolina, and Texas have discounted reserves equal to approximately 70% of the statutory reserves. Applying this factor to the Kansas statutory reserve, the estimated discounted reserve would be $3.4 million. The discounted reserve is $2.4 million less than the invested assets. (See Exhibit 10). If the Kansas runoff is faster than in the other states, the discounted reserve would be higher and the difference between the discounted reserve and invested assets smaller. If this difference is regarded at as a cushion to cover the possibility that the loss reserves prove to be deficient, then the reserve could be deficient by as much as 50%, and the Kansas JUA would still have sufficient funds to cover the shortage.

Conclusion

As long as the Health Care Stabilization Fund continues to cover the JUA's deficit, the JUA should be financially sound. An additional cushion is the investment income to be earned from invested assets. As presently structured, insurers are not subject to assessment even if the JUA and/or the Stabilization Fund should encounter financial difficulty.

Massachusetts Medical Malpractice JUA

History

The Massachusetts JUA became operational June 19, 1975. Membership includes all personal liability insurers, including motor vehicle insurers and multiple-peril writers. The JUA offers coverage to all physicians, hospitals, and other health care providers. The JUA wrote approximately 73% of the medical malpractice coverage in the state in 1985. (See Exhibit 1).

Funding and Deficit Provisions

Funding is provided from premiums and assessments. If a deficit occurs in the JUA, a pro rata assessment based on total member premiums up to a maximum of 1% of the member's surplus can be assessed. A recoupment provision is provided. Insureds covered by any medical malpractice liability policy issued in the state can be assessed or can have their premiums increased. Funds raised from this assessment or rate increase are to be used to reimburse insurers for their JUA assessment.

Balance Sheet

As of year-end 1985, the Massachusetts JUA reported assets of $329.2 million and liabilities of $933.9 million, resulting in a deficit of $604.7 million. (See Exhibit 2).

Assets

Of the $329.2 million in assets, $308.6 million is invested (See Exhibit 3). Almost $300 million is invested in bonds, $2.4 million is invested in short term securities, and $6.8 million is held in cash. Non-invested assets amount to $20.6 million of which $11.7 million is premium balances and $8.9 million is due from interest income accrued.

The JUA provided only annual statement data. Consequently, no data on bond yields or average term to maturity for bonds are available.

Cash Flow

Despite the tremendous deficit, the cash flow was still positive in 1985. (See Exhibit 4). Income from all sources, except realized capital gains, amounted to $91.9 million of which $59.0 million came from premiums and $32.9 million came from investment income. Expenditures amounted to $59.9 million of which $43.4 million went for claim payments, $10.2 million went for loss adjustment expenses, and $6.3 million went for operating expenses. These items resulted in a $32.0 million positive cash flow and do not take into consideration $8.6 million in net realized capital gains. The Massachusetts JUA was the only JUA, except New York, to have realized capital gains of more than a few hundred thousand dollars. Realized capital gains are not reflected in the cash flow analysis because they are one-time occurrences and cannot be relied upon from year to year.

Statutory Reserves

The JUA reported $892.6 million in loss and loss adjustment expense reserves as of year-end 1985. (See Exhibit 5). Of this amount, $622.5 million is for loss reserves, and $270.1 million is for loss adjustment expense reserves. The loss reserves are comprised of $261.0 million for pending claims and $361.5 million for IBNR claims. The $261.0 million is intended to cover the 3,686 pending claims with an average reserve of $70,802.

Pending Claims

As would be expected, the pending claims go all the way back to the inception year 1975. (See Exhibit 6). An unusual aspect of the Massachusetts pending claims is that they seem to be reported relatively quickly although a considerable amount of time elapses before they are resolved. Over 560 claims are pending for each of the last three years. Usually the more recent years have a much smaller number of pending claims relative to earlier years. The larger number of claims for the more recent years may be due to claims reported under claims-made forms issued by the JUA.

Discounted Reserve

The JUA did not supply information on its anticipated reserve runoff. It supplied only annual statement data. Based on the pending claim distribution, the reserve runoff pattern appears to be between that of New York and the other states. If the reserve runoff is similar to New York and the portfolio embedded yield is similar to New York, (11.2%), the discounted reserve for the Massachusetts JUA would be $491.0 million. This amount is $182.3 million more than the current value of the invested assets. (See Exhibit 10). If the runoff pattern is similar to the other states and the portfolio embedded yield is about 10%, the discounted reserve would be $627.0 million. This amount is $318.0 million more than the invested assets. Thus, assuming no additional income, current invested assets are hundreds of millions of dollars short of being able to pay current liabilities, even considering investment income.

Conclusion

Even considering future investment income, the Massachusetts JUA has a deficit of $182.3 million and possibly much more. Sooner or later this unfunded liability will have to be paid. If the JUA is unable to raise this money from policyholders, the members of the JUA could be assessed millions of dollars. Whether rate increases can be implemented to allow insurers to recoup the assessments is yet to be determined.

New Hampshire Medical Malpractice JUA

History

The New Hampshire Medical Malpractice JUA began operating October 1, 1975. Members include all liability insurers in New Hampshire. The JUA was established to provide coverage for physicians, hospitals, and other health care providers. In 1985 the JUA wrote an estimated 56% of the medical malpractice market based on premium volume. (See Exhibit 1).

Funding and Deficit Provisions

Funding is provided from (1) premiums, (2) assessments against members, and (3) policyholder surcharges.

Legislation, effective in 1986, altered the funding mechanism for covering JUA deficits. The legislation established two funding mechanisms, one for deficits from business written after January 1, 1986, and another for deficits on business written prior to January 1, 1986.

For deficits on business written after January 1, 1986, members will be assessed based on the percentage of premium they write in the state. The companies, however, may be reimbursed under one of two plans approved by the commissioner. One plan allows members to surcharge all health care providers up to a maximum of 100% of their premium for each policy year. The payment of the assessment may be applied over a period of up to three years in the event the assessment is greater than $10,000. The second option would allow members to surcharge future liability insurance policies which form the basis of the member's participation in the JUA provided that the surcharge does not exceed 3% of the premium per year.

A stabilization fund is created for deficits prior to January 1, 1986. Initial funding for the stabilization reserve will come from a surcharge of 15% on the annual gross premium charged for primary medical liability coverage. If the stabilization fund reserve is not sufficient to cover the deficit, the commissioner shall impose a surcharge not to exceed 2% of the annual premium on policies issued or delivered in the state for the lines of business which form the basis for the insurer's participation in the JUA.

Balance Sheet

As of year-end 1985, the JUA reported assets of $27.3 million, liabilities of $55.4 million with a resulting deficit of $28.1 million. (See Exhibit 2).

Assets

Of the $27.3 million in assets, the JUA invested $24.5 million. (See Exhibit 3). The investments include $18.2 million in bonds and $5.3 million in short term investments. The remaining $1.0 million is held in cash. Government bonds amount to $14.3 million. Non-government bonds amount to $9.2 million all of which are rated A or better by Moody. The bonds have an embedded yield of 9.85%. The average time to maturity is 3.7 years. Of the $2.8 million not invested, $2.2 million is in premium balances.

Cash Flow

In 1985 the cash flow was a positive $9.0 million. (See Exhibit 4). Total income amounted to $14.4 million with $12.3 million from premiums and $2.1 million from investment income. Total expenditures were $5.4 million of which $3.3 million went for claim payments, $1.4 million went for loss adjustment expenses, and $700,000 went for operating expenses.

Statutory Reserves

Of the $55.4 million in liabilities, $48.3 million is for loss and loss adjustment expense reserves. (See Exhibit 5). Loss reserves are $35.4 million, and loss adjustment expenses reserves are $12.9 million. The JUA didn't provide separate loss reserves for pending claims and IBNR, rather it provided the total loss and loss adjustment expense reserves for these categories. The average pending claim (including loss adjustment expenses) in New Hampshire is $125,000. This amount is substantially larger than the average pending claim (excluding loss adjustment expenses) in the other states.

Pending Claims

At year-end 1985 the New Hampshire JUA had 299 pending claims. (See Exhibit 6). These claims are for all policy years going back to 1976, where seven claims are still pending. The largest number of claims - 55 - are pending from 1980. The distribution is typical.

Reserve Development

Due to incomplete records, the JUA does not have complete information allowing for a comparison of all the initial accident-year reserves to the current estimate of those accident-year reserves. The records do provide for a comparison for the years 1981 to 1984 evaluated as of year-end 1985. (See Exhibit 7). For accident-years 1981, 1982, and 1984 the reserves now appear to have been inadequate. The 1983 accident-year reserve now appears to have been more than adequate.

Claim Payout

The median time to pay one-half the ultimate incurred losses is 4.5 years. (See Exhibit 8). The patterns have been very consistent over the past five years for which data is available. (See Exhibit 9B).

Discounted Reserves

Of primary importance to the financial stability of the JUA is whether the current invested assets of $24.5 million along with the investment income they will generate are sufficient to meet the estimated $48.3 million in claim payments and loss adjustment expenses expected to be made in the future. Assuming (1) the current reserves are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn at their current rate, and (4) full value will be received for invested assets if they are sold, $34.8 million would be needed to be set aside in order to make those payments. (See Exhibit 10). With only $24.5 million in invested assets, the JUA appears to be $10.4 million short of covering those payments. Without using future premiums, which are for claims arising in the policy years for which the premiums are collected and using the same four assumptions above, the current invested assets could be depleted by early 1990. (See Exhibit 11). At that time there would be approximately $19 million in subsequent payments for which no funds would be available.

Rate Filings

Since its inception, the JUA has filed for several rate increases and has received timely approval in every case. (See Exhibit 12B). Rates have increased substantially for all insureds since 1980. For physicians and surgeons, rates increased 45% in 1980, 50% in 1981, 70% in 1982, 30% in 1983, with more moderate increases in 1984 and 1985.

Conclusions

The New Hampshire JUA does not appear to have sufficient invested assets to meet current liabilities. While mechanisms exist for insurers to recoup any assessments to cover JUA deficits, it remains to be seen if the mechanisms will produce adequate revenue to compensate the insurers.

New York Medical Malpractice JUA

History

The New York Medical Malpractice JUA was activated June 18, 1975. Members include all insurers writing personal liability and multi-peril policies. The JUA offers medical malpractice liability insurance to physicians and hospitals. The JUA wrote about 12.5% of the 1985 medical malpractice premiums in the state. (See Exhibit 1).

Funding and Deficit Provisions

Three sources provide funds: 1) premiums, 2) Stabilization Reserve Fund, and (3) assessments. The Stabilization Reserve Fund obtains funds from a 20% surcharge on the insured's medical malpractice premiums. If the JUA sustains a deficit, the Stabilizatio Reserve Fund is to cover the deficit. If a deficit exists after the Stabilization Reserve Fund contribution, JUA members can be assessed in proportion to their premiums. The assessment can be subsequently recouped from the Stabilization Reserve Fund if those funds are replenished.

Balance Sheet

As of year-end 1985, the New York JUA annual statement balance sheet shows assets of $339.2 million and liabilities of $654.1 million for a deficit of $314.9 million. (See Exhibit 2).

Assets

The JUA assets include approximately $15.5 million of Stabilization Reserve Fund assets. The deficit, therefore, could be assessed against insurers. Of the total assets, $330.2 million is invested. (See Exhibit 3). Bonds constitute the largest investment, $304.2 million of which $211.7 million is invested in government bonds, and $92.5 million is invested in non-government bonds. The New York JUA has the highest embedded yield, 11.2%. Non-government bonds are all rated A or better by Moody. The average time to maturity of all bonds is nine years. Short term investments amount to $26.0 million while only $31,000 is held in cash. Non-invested assets amount to $9.0 million of which $1.1 million is in premium balances. Of the remainder, $7.6 million is in interest income due and accrued.

Cash Flow

In 1985, the JUA had a substantial, $77.9 million, positive cash flow. (See Exhibit 4). Premium income of $67.6 million was the largest source of cash. The premium volume for 1985 was almost ten times larger than in the prior year because the JUA was required to offer doctors excess liability coverage. Investment income was the next largest source of cash, $29.2 million. Additional sources, not including capital gains, accounted for $13.5 million. The survey did not request any description of other income. Total cash income, excluding capital gains, was $110.3 million. Expenditures amounted to $32.4 million. Claim payments amounted to $22.5 million with loss adjustment expenses at $8.8 million and other expenses at $1.1 million.

Statutory Reserve

As of year-end 1985, the JUA reports loss and loss adjustment expense reserves of $608.6 million. (See Exhibit 5). Of this amount, $477.2 million is for loss reserves, and $131.4 million is for loss adjustment expenses. The loss reserve is comprised of $209.3 million for pending claims and $268.0 million for IBNR.

Pending Claims

The 2,206 pending claims have an average reserve of almost $95,000. More than half of the pending claims are for losses which occurred in 1980 and prior. (See Exhibit 6). The large number of pending claims for the earlier years indicates that it takes a longer time to settle cases in New York than in other states.

Reserve Development

During the period 1975 to 1981, the initial accident-year reserves are now (year-end 1985) thought to have been grossly inadequate. (See Exhibit 7). For the first half year of operation, 1975, the initial accident-year reserve was estimated to be $8.1 million and now appears that it should have been set at $31.0 million. Between 1976 and 1981 the initial accident-year reserves ranged from a low of $13.6 million in 1977 to a high of $49.1 million in 1981. It now looks as if all of those reserves should have been set between $61 million and $79 million. For accident-years 1982 to 1984, initial reserves have been found to have been inadequate in two out of three years. The reserve pattern for 1983, 1984, and 1985 is unusual in that on a developed basis they are $64.4, $35.0, and $127.8 million, respectively. The study did not request any explanations for the developed accident-year reserve values, but the large increase in the 1985 accident-year reserve is probably due to the excess liability coverage.

Claim Payout

New York medical malpractice claims have the longest anticipated runoff period. (See Exhibit 8). While in most states half of the ultimate incurred losses are expected to be paid in three to five years, in New York almost nine years are expected to elapse before half of the ultimate incurred losses are paid. After nine years almost all of the ultimate incurred losses are expected to have been paid in Florida and South Carolina and over 80% in the other three states.

Discount Reserves

With only $330.2 million in invested assets and outstanding claims of $608.6 million, it would appear that the New York JUA does not have sufficient funds to meet these payments. Given the long time it takes for New York claims to runoff, however, provides a considerable length of time in which to earn investment income. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) the invested assets will continue to earn at their current embedded yield, and (4) asset maturity will match liabilities, the present value of those future payments is $334.6 million. (See Exhibit 10). This is $4.4 million more than the invested assets. Using the above assumptions, the invested assets can be expected to be depleted sometime during the year 2002 leaving a total of $29.7 million left to be paid. (See Exhibit 11).

Rating

The New York JUA has had an extremely difficult time receiving approval for requested rate increases. (See Exhibit 12C). No requested rate increase has ever been approved. During the period 1977 to 1985, the JUA requested a rate increase each year. In 1977, a 90% rate increase was requested, and a 15.5% rate increase was approved. Rate increases in 1978 through 1980 of 98%, 104%, and 186%, respectively, were all disapproved. In 1981 a 210% rate increase was requested, and a 58.5% rate increase was approved. In 1982 a 243% rate increase was requested, and a 15% rate increase was granted. In 1983 a 180% rate increase was requested, and a 83.3% increase was approved but not until January of 1985. In 1984 a 62% rate increase was requested, and a 52.3% increase was approved in January 1985. Action on the 128% rate increase requested in 1985 was not finalized until July 1986 when a 14% rate increase was approved.

Conclusion

For the New York JUA, current invested assets are not sufficient to cover current loss and loss adjustment expenses liabilities even considering future investment income. The deficiency could increase substantially if any of the following happen:

- The current high embedded yield is not maintained - a likely possibility given current lower yields and the fact that over $75 million in bonds mature in the next 3 years.

- Current investments have to be sold for less than full value - a possibility because $50 million in bonds have maturity dates more than 20 years from now.

- Current reserves are inadequate - a possibility given past reserve developments.

If any of the above comes to pass, assessments against insurers could be substantially higher than the above figures indicated.

Pennsylvania Medical Malpractice JUA

History

The Pennsylvania JUA became operational January 13, 1976. Members include all casualty insurers. The JUA offers coverage to health care providers as defined in the statutes. The Pennsylvania JUA has the smallest market share of any medical malpractice JUA, 3.2%, based on premium volume. (See Exhibit 1).

Funding and Deficit Provisions

Funding for the JUA comes from two sources, premiums and a catastrophe fund. The catastrophe fund is financed through surcharges on all health care providers. If the JUA incurs a deficit, the catastrophe fund or a rate increase is intended to fund the deficit. If the catastrophe fund is unable to cover a JUA deficit, a surcharge is to be applied to defined health care providers.

Balance Sheet

At year-end 1985, the Pennsylvania JUA reported assets of $47.7 million and liabilities of $42.6 million for a surplus of $5.0 million. (See Exhibit 2).

Assets

Of the $47.7 million in assets, $46.2 are invested. (See Exhibit 3). Bond holdings total $40.1 million. Short term investments total $5.3 million. The balance, $800,000, is held in cash. Of the $1.4 million not invested, $1.2 million is in interest income due and accrued.

The JUA supplied only limited annual statement data. Information on bond yields and bond maturity, therefore, are not available.

Cash Flow

Cash flow for the JUA was a positive $3.2 million in 1985. (See Exhibit 4). The $9.5 million in total income came from $5.4 million in premiums and $4.1 million in investment income. Expenditures of $6.4 million included $3.5 million for claim payments, $2.4 million for loss adjustment expenses, and $500,000 for operating expenses.

Statutory Reserves

Loss and loss adjustment expense reserves amount to $40.4 million as of year-end 1985 of which $31.8 million is for loss reserves and $8.6 million is for loss adjustment expenses. The loss reserves are comprised of $15.2 million for pending claims and $16.6 million for IBNR. No pending claim information was provided making it impossible to determine an average pending claim value.

Discount Reserves

Unique among JUAs, the Pennsylvania JUA discounts loss reserves. As of year-end 1985, the loss reserves were discounted at 6%. This would seem to be a conservative interest rate given the fact that the $46.2 million in invested assets generated $4.2 million in investment income or slightly more than 9%. The $5.0 million surplus provides a cushion of about 12.5% of the loss and loss adjustment expense reserves if they should prove to be inadequate.

Conclusion

The Pennsylvania JUA appears to be solvent based on current, conservatively discounted reserves. If reserves are understated by as little as 12.5%, however, the JUA will not have enough funds to meet its liability obligations. The present mechanism for funding JUA deficits does not include assessing insurers.

Rhode Island Medical Malpractice JUA

History

The Rhode Island Medical Malpractice JUA was activated April 9, 1976. Members include all personal injury liability insurers including those insurers providing multi-peril policies. The JUA was established to provide medical malpractice insurance to physicians, hospitals, and other health care providers. During 1985 the JUA's market share was 87.4% based on premiums, the largest share of any medical malpractice JUA. (See Exhibit 1).

Funding and Deficit Provisions

Funding for the JUA is from (1) premium, (2) Stabilization Reserve Fund, and (3) assessments against insurers. The Stabilization Reserve Fund is financed by policyholder contributions determined by the director. If the JUA has a deficit, the Stabilization Reserve Fund is to provide funds to cover it. If a deficit exists after the Stabilization Reserve Fund contribution, insurers can be assessed. Individual insurer assessments will be based on the percentage of direct premiums for several lines of business as they relate to the aggregate writings in Rhode Island for all members writing those lines of business. Insurers may recoup the assessment by means of a surcharge, not to exceed 1%, on the annual premiums of future personal injury policies. Insurers may also recoup assessments through a premium tax offset.

Balance Sheet

As of year-end 1985, the Rhode Island Medical Malpractice JUA annual statement balance sheet reports assets of $54.7 million and liabilities of $194.6 million resulting in a deficit of $139.9 million. (See Exhibit 2).

Assets

Invested assets amount to $47.7 million of which $40.8 million is invested in bonds. (See Exhibit 3). The vast majority of the bonds, $30.1 million, are invested in government securities. Non-government securities amount to only $2.7 million. The JUA was not able to supply the grades for the non-government bonds. The bonds have an average time to maturity of 4.1 years. The embedded yield on the bonds was estimated to be 9%. Other invested assets included $400,000 in short term investments and $6.0 million in other unspecified assets. Cash holdings amount to $535,000. Of the $7.0 million in non-invested assets, $5.7 is premium balances and $1.3 million is interest income due and accrued.

Cash Flow

Although a large deficit exists, cash flow was a positive $6.0 million in 1985. (See Exhibit 4). Premiums of $14.1 million and investment income of $4.3 million provided $18.4 million in cash income. Total income was offset by $12.4 million in expenditures of which $9.1 million went for claim payments, $1.8 million went for loss adjustment expenses, and $1.4 million went for operating expenses.

Statutory Reserves

As of year-end 1985, the JUA reports loss and loss adjustment expense reserves of $181.6 million. (See Exhibit 5). Loss reserves amount to $156.5 million while loss adjustment expense reserves are $25.1 million. The loss reserve is comprised of $41.7 million for pending claims and $114.8 million for IBNR claims. The $41.7 million allocated for the 901 pending claims result in an average pending claim reserve value of $46,254.

Pending Claims

Almost one-half of the pending claims were incurred prior to 1982. The largest number of pending claims are from 1982. (See Exhibit 6). The distribution appears to be typical.

Reserve Development

Due to record problems, the JUA was not able to supply information to compare the initial accident-year reserves for 1976 through 1979 with current estimates of what those reserves should have been. Information was provided for the period 1980 through 1985. As with most other JUAs, the initial accident-year reserves are substantially short of the current estimates of what those reserves should have been. For the early years, 1980 and 1981, initial accident-year reserves were set between $11 and $12 million while current estimates of what those reserves should have been are approximately double. (See Exhibit 7). For 1982 and 1983 the reserves have developed $10 to $11 million higher than originally established. The 1984 accident-year reserve is now thought to have been understated by approximately $3 million.

Claim Payout

Rhode Island has the second longest estimated time to pay one-half of the ultimate incurred losses, 5.7 years. (See Exhibit 8). For the years with the most experience, 1976-1978, the average ranges from 6.2 to 7.2 years. (See Exhibit 9D). For subsequent years, the range is from 4.7 years in 1979 to 5.9 years in 1981. For most of the years in this period, the average terms are 5.2 to 5.3 years which are largely based on the anticipated reserve runoff.

Discount Reserves

With loss and loss adjustment expense reserves of $181.6 million and invested assets of only $47.7 million, the JUA does not have sufficient assets to meet those liabilities even after consideration of future investment income. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn at their current rate, and (4) the full value of the assets will be realized if they are sold before maturity, the JUA needs $126.2 million to meet those liabilities. (See Exhibit 10). If future premiums are not used to meet those payments, the current invested assets could possibly be exhausted sometime in 1988. (See Exhibit 11).

Rate Filings

Historically the JUA has had difficulty in obtaining rate increases. (See Exhibit 12D). In 1978 a 34.1% rate increase was asked for, but no hearing was held, and the rate increase was not approved. The only year in which the requested rate increase was approved was 1979, 9.7% requested and 9.7% approved. In 1980 a 25.3% rate increase was asked for but later withdrawn. In each of the subsequent years, additional rate increases were requested and the JUA usually received one-half or less of the amount requested.

Conclusion

The Rhode Island JUA is in serious financial trouble. While cash flow was positive in 1985, negative cash flow can be expected shortly with a strong possibility that the invested assets will be depleted shortly thereafter. An unknown factor is the Stabilization Reserve Fund. Because this study did not collect data on the Fund, the amount of money the Fund could contribute to reducing the deficit is unknown.

South Carolina Medical Malpractice JUA

History

The South Carolina Medical Malpractice JUA began operations June 30, 1975. Members include all insurers writing bodily injury liability insurance including multi-peril policies but excluding automobile liability insurers. The JUA provides coverage for physicians, hospitals, and other health care providers. The JUA medical malpractice market share was slightly more than one-half, 52.4%, in 1985. (See Exhibit 1).

Funding and Deficit Provisions

Funding is provided from premiums and member assessments. If a deficit occurs, JUA members can be assessed in proportion to their direct written premium up to 1% of their policyholder surplus. A recoupment provision provides that policyholders can be assessed up to one annual premium or the assessment may be recouped through prospective rate increases.

Balance Sheet

As of year-end 1985, the South Carolina JUA reports assets of $19.4 million and liabilities of $37.8 million resulting in a deficit of $18.4 million. (See Exhibit 2).

Assets

Invested assets amount to $18.8 million with $18.0 million in government bonds. (See Exhibit 3). The bonds have an average time to maturity of 1.6 years. The bonds have an embedded yield of 10.63%. The remaining invested assets, $900,000, are in short term investments. The $500,000 in non-invested assets are not specified as to source.

Cash Flow

The JUA had a positive cash flow of $1.4 million in 1985. (See Exhibit 4). Total income was $9.3 million of which $7.3 million came from premiums and $2.0 million from investment income. Expenditures included $4.9 million for claim payments, $2.2 million for loss adjustment expenses, and $700,000 for operating expenses.

Statutory Reserves

For the year ending 1985, the JUA reports loss and loss adjustment expense reserves of $32.2 million. (See Exhibit 5). Of this amount, $23.9 is for loss reserves and $8.3 for loss adjustment expenses. In turn the loss reserves are comprised of $7.3 million for pending claims and $16.6 million for IBNR. The $7.3 million is allocated to pay 494 pending claims. The average reserve value for the 494 pending claims is $14,751.

Pending Claims

The pending claim distribution is typical of medical malpractice claims. About one-half of the pending claims are for fiscal years prior to 1983 with three claims going back to 1976. (See Exhibit 6).

Reserve Development

Reserve development data is unavailable for fiscal-years beginning in 1976 through 1978. (See Exhibit 7). The fiscal-year runs from July 1 to June 30. Development data is available for all other fiscal-years (1975, 1979-1985). Up until 1983, the initial fiscal accident-year reserves have been found to have been inadequate. For fiscal-years beginning 1984 and 1985, the initial reserves now appear to have been more than adequate. The South Carolina JUA was the only JUA that provided development figures on the most recently established reserve. This reserve was evaluated approximately 3 months after it was initially established, and would now be set about $2.5 million lower.

Claim Payout

The South Carolina JUA has the second shortest anticipated runoff period. The JUA expects half of the ultimate incurred losses to be paid within 3.4 years. (See Exhibit 8). This average expected period has been quite consistent since the JUA began operating. (See Exhibit 9E).

Discounted Reserves

The discounted loss and loss adjustment expense reserve is based on fiscal-year paid and reserve data. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn their embedded yield, (4) full value will be received if assets have to be sold before maturity, and (5) invested assets at June 30, 1986 are the same as at December 31, 1985, the present value of those future payments is $22.9 million. (See Exhibit 10). Even after consideration of investment income, therefore, invested assets, are $4.1 million less than the amount needed to cover all future payments. Using the above assumptions and further assuming that no additional income to cover these claims will be collected, existing invested assets could be depleted in 1990 leaving approximately $6.2 million in claim payments yet to be made. (See Exhibit 11).

Rate Filings

The South Carolina JUA has always received requested rate increases in a timely manner. Rate increases for physicians amounted to 50% in 1977, 40% in 1981, and 25% in 1983, 1985, and 1986. Hospital increases amounted to 133% in 1978, 20% in 1983, 40% in 1985, and 45% in 1986.

Conclusions

The South Carolina JUA is in financial trouble. Current invested assets, even considering investment income, are insufficient to cover current liabilities. Sometime in the future, assessments against insurers are a distinct possibility.

Texas Medical Malpractice JUA

History

The Texas Medical Malpractice JUA began operations September 8, 1975. Membership includes all liability insurers except farm and county mutuals. The JUA is authorized to insure any health care provider or physician included in one of the categories eligible for coverage as determined by the State Board. At the present time, the JUA covers physicians, surgeons, dentists, and hospitals and writes about 12% of all the medical malpractice insurance in the state. (See Exhibit 1).

Funding and Deficit Provisions

Funding for the JUA comes from 1) premiums, 2) Stabilization Reserve Fund, 3) policyholder assessments and 4) insurer assessments. Funding for the Stabilization Reserve Fund comes from a surcharge on JUA policyholder premiums. If a deficit occurs in the JUA, an assessment against JUA policyholders insured anytime in the last two years can be made and is limited to 100% of the current annual premium. If the policyholder assessment does not raise sufficient funds to cover the JUA deficit, assessments can also be levied against insurers based on their premium writings with a maximum assessment of 1% of surplus. Insurers can recoup assessments from the Stabilization Reserve Fund. This is the only JUA to have assessed insurers. Assessments were made in 1985, 1986, and one is expected in 1987.

Balance Sheet

As of year-end 1985, the Texas JUA balance sheet reports assets of $69.6 million and liabilities of $76.0 million for a deficit of $6.4 million. (See Exhibit 2).

Assets

The JUA invested $57.6 million of its assets. (See Exhibit 3). Government bonds of $46.6 million comprised the largest component of the assets. The embedded yield on the bonds is 10.29% with an average time to maturity of 2.2 years. Short term investments total $8.8 million and $2.2 million is held in cash. Of the remaining $12.0 million in assets, $10.0 million is money due from the 1985 assessment, $1.0 million in premium balances, and $1.0 million in accrued interest.

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Cash Flow

In 1985, cash flow was a positive $4.6 million. (See Exhibit 4). Premium was $12.6 million and investment income was $6.0 million for total income of $18.0 million. (See Exhibit 4). Expenditures for claim payments were $8.8 million, for loss adjustment expenses, $1.6 million, and for expenses, $3.6 million.

Statutory Reserves

As of year-end 1985, the JUA reported $66.2 million in loss and loss adjustment expenses. (See Exhibit 5). Almost $60 million is for loss reserves and $6.2 million is for loss adjustment expenses reserves. The loss reserves are comprised of $18.8 million for pending claims and $41.3 million for IBNR claims. The average reserve for the pending claims is $33,841.

Pending Claims

Twenty-nine pending claims go back to 1975 and 1976. (See Exhibit 6). The largest number of pending claims, 82, is from the year 1983. For the most recent years, 1984 and 1985, only 54 claims are pending for each year, which is to be expected.

Reserve Development

For most years the initial accident-year reserves proved to be inadequate. For the early years, 1976 and 1977, the JUA now estimates that the initial accident-year reserves were slightly more than adequate. (See Exhibit 7). Since that time, however, the initial accident-year reserves have been inadequate. The inadequacies range from $2.5 million in 1984 to $5.9 million in 1980. In 1980, the initial accident-year reserve was $3.7 million while the current estimate of that reserve is $9.6 million.

Claim Payout

In Texas the median length of time to pay one-half of the ultimate incurred losses is 4.4 years. (See Exhibit 8). The length of time appears to be shortening somewhat. (See Exhibit 9F). For the years 1977-1979 the median was 5.5 to 6.5 years. For more recent years, 1980-1985, it ranges from 3.6 to 4.2 years. As noted earlier, however, for the more recent years the median value is very dependent on the anticipated reserve runoff pattern. Only when more time passes will it be known if the apparent decreasing payout period is real.

Discount Reserves

Based on the statutory results, insufficient assets exist to meet the future payments on existing claims. If the reserve is discounted assuming (1) the current accident-year reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn at their current rate, and (4) full value of the invested will be obtained if they have to be sold before maturity, the present value of those future payments is $47.4 million. The discounted reserve is $10.2 million less than current invested assets. (See Exhibit 10).

The current invested assets along with future investment income from those assets appear to be sufficient to pay all current liabilities. While the excess, $10.2 million, may appear large, it does not offer much of a cushion if any of the four assumptions above prove to be incorrect and result in reserves being inadequate. If the current reserves are inadequate by 18.6% or more, the cushion disappears and invested assets will be inadequate.

Rate Filings

Historically, the Texas Medical Malpractice JUA has not had any difficulty obtaining rate increases except in one year. (See Exhibit 12F). Since its inception the JUA has filed four rate increases. The first was a 50% increase in hospital rates in 1980. This rate increase was disapproved. In 1983 the JUA filed for a 263% rate increase for dentists and oral surgeons, and this rate increase was approved. In 1985 the JUA filed two rate increases (1) 50% for physicians, surgeons, hospitals, and other institutions, and (2) 50% for podiatrists. Both were approved.

Conclusions

The Texas JUA seems to be in fairly sound financial condition when future investment income is considered. Its financial condition, however, could change significantly if claim reserves prove inadequate, investment yields fall, or invested assets have to be sold at a loss in order to meet claim payments. The fact that the JUA assesses insurers when a statutory deficit occurs should prevent huge deficits from accumulating as they have done in other states.

Wisconsin Medical Malpractice JUA

History

The Wisconsin Medical Malpractice JUA began operations March 17, 1975. Members included all personal liability insurers. Insurance is offered to all health care providers. In 1985 the JUA medical malpractice market share was about 21%. (See Exhibit 1).

Funding and Deficit Provisions

Funding comes from two sources, premiums and member assessments. If the JUA suffers a deficit, members can be assessed based on a pro rate share of their writings. A recoupment provision is provided in the form of a rate increase.

Balance Sheet

As of year-end 1985, the Wisconsin JUA reported $69.0 million in assets, $91.7 million in liabilities, and a deficit of $22.6 million. (See Exhibit 2).

Assets

Invested assets amount to $67.3 million of which $36.5 million is invested in bonds. (See Exhibit 3). The average time to maturity is 6.6 years. The JUA supplied only the annual statement data requested and, therefore, no data is available on yields. Another $30.1 million is invested in short term investments. The Wisconsin JUA is the only JUA that invested in preferred stocks of which they had $900,000. Of the $1.7 million not invested, $700,000 was premium balances and the other $1.0 million was not identifiable from the survey. Based on the 1984 annual statement, available from another source, it is reasonable to assume that the $1.0 million in non-invested assets is probably in interest income due and accrued.

Cash Flow

The Wisconsin JUA experienced a negative cash flow of $700,000 in 1985. (See Exhibit 4). Total income of $12.7 million is comprised of $7.2 million from premiums and $5.5 million from investment income. The income was not sufficient to offset the $13.4 million in expenditures. Expenditures include $8.2 million for claim payments, $4.5 million for loss adjustment expenses, and $700,000 for operating expenses.

Statutory Reserves

The Wisconsin JUA reports $86.8 million in loss and loss adjustment expenses as of year-end 1985. (See Exhibit 5). Loss reserves amount to $60.3 million, and loss adjustment expenses reserves are $26.5 million. Loss reserves are comprised of $16.4 million for pending claims and $43.9 million for IBNR claims. The average pending claim reserve of $14,309 for the 1,147 pending claims is the lowest average pending claim reserve value of all the JUAs.

Pending Claims

The distribution of the pending claims is typical. (See Exhibit 6). About one-third of the claims are pending from 1982. Prior to that the pending claims decrease. Wisconsin had the third largest number of pending claims, 1,147.

Discounted Reserves

Because the Wisconsin JUA did not supply the data requested on historical payout patterns and current accident-year reserves, a discounted reserve based on Wisconsin JUA data is not possible. As noted above, the Wisconsin JUA pending claim distribution is similar to that in other states. This similarity provides some evidence that the Wisconsin JUA might have a reserve runoff pattern similar to those states. If true and assuming a similar yield of about 10%, the discounted value of the reserve is $60.7 million. This latter value is $6.5 million less than the invested assets. The $6.5 million provides a reserve cushion of approximately 7.5%.

Conclusion

Based on the analysis, the Wisconsin JUA appears that it may have sufficient assets to cover existing liabilities. This appearance, however, may be deceiving. In 1985 the JUA had a negative cash flow. It is not known if this was due to declining premium volume or higher than anticipated claim payments. The latter might indicate inadequate reserves. The average pending claim reserve value is less than one-half that of any other JUA except South Carolina. While claim settlements in Wisconsin may be substantially less than in other states, the low average reserve may also indicate an inadequate reserve. If reserves are inadequate by as little as 7.5%, the JUA would not have sufficient invested assets, even including future investment income, to pay existing claim liabilities.

EXHIBITS

Exhibit 1
1985 Market Share

State	Percent
Florida	5.5%
Kansas	3.8
Massachusetts	73.0
New Hampshire	56.1
New York	12.5
Pennsylvania	3.2
Rhode Island	87.4
South Carolina	52.4
Texas	11.8
Wisconsin	20.7

Exhibit 2
Balance Sheet—Statutory

Year-End 1985	Florida	Kansas	Massachusetts	New Hampshire	New York
Assets	$37,253,884	$5,894,884	$329,234,727	$ 27,268,035	$ 339,203,655
Liabilities	37,253,884	5,894,884	933,923,953	55,366,103	654,100,015
Surplus	0	0	(604,689,226)	(28,098,068)	(314,896,360)

Year-End 1985	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
Assets	$47,672,988	$54,699,571	$19,351,273	$69,555,895	$ 69,008,247
Liabilities	42,647,851	194,566,880	37,793,955	75,951,364	91,655,342
Surplus	5,025,137	(139,867,309)	(18,442,682)	(6,395,469)	(22,647,095)

Exhibit 3
Assets

Year-End 1985	Florida	Kansas	Massachusetts	New Hampshire	New York
Assets	$37,253,884	$5,894,884	$329,234,727	$27,268,035	$339,203,655
Invested	35,557,723	5,780,445	308,644,984	24,514,859	330,158,197
Bonds	31,511,680	0	299,420,702	18,194,147	304,167,727
Short Term	0	4,718,959	2,430,000	5,310,014	25,959,343
Cash	4,046,043	1,061,486	6,794,282	1,010,698	31,127
Other	0	0	0	0	0
Non-Invested	1,696,161	114,439	20,589,743	2,753,176	9,045,458
Premium Balance	739,983	0	11,658,541	2,173,895	1,140,912
Other	956,178	114,439	8,931,202	579,281	7,904,546
Imbedded Yield	10.64%	Not Reported	Not Reported	9.85%	11.24%
Bond Maturity In Years	5.0	Not Reported	Not Reported	3.7	9.0

Year-End 1985	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
Assets	$47,672,988	$54,699,571	$19,351,273	$69,555,895	$69,008,247
Invested	46,252,509	47,690,134	18,803,355	57,551,478	67,292,777
Bonds	40,093,262	40,755,073	17,995,341	46,610,080	36,490,726
Short Term	5,348,870	400,100	855,000	8,793,387	30,131,761
Cash	810,377	534,727	(46,986)	2,148,011	(196,710)
Other	0	6,000,234	0	0	867,000
Non-Invested	1,420,479	7,009,437	547,918	12,004,417	1,715,470
Premium Balance	46,591	5,681,426	54,423	990,563	681,509
Other	1,373,888	1,328,011	493,495	11,013,854	1,033,961
Imbedded Yield	Not Reported	9.00%	10.63%	10.29%	Not Reported
Bond Maturity In Years	Not Reported	4.1	1.6	2.2	Not Reported

Exhibit 4
Cash Flow

Year-End 1985	Florida	Kansas	Massachusetts	New Hampshire	New York
Income	$13,225,396	$1,342,124	$91,871,516	$14,407,287	$110,310,315
Premium	8,015,450	997,099	58,977,641	12,321,797	67,614,200
Investment Income	5,209,946	345,025	32,893,875	2,085,490	29,242,335
Other Income	0	0	0	0	13,453,780
Expenditures	14,287,301	3,279,336	59,859,945	5,453,193	32,368,467
Paid Claims	9,408,624	2,409,043	43,356,392	3,332,653	22,538,264
Loss Adj. Exp.	4,038,555	525,615	10,176,818	1,436,908	8,782,977
Other Expenses	840,122	344,678	6,326,735	683,632	1,047,226
Net Cash Flow	(1,061,905)	(1,937,212)	32,011,571	8,954,094	77,941,848

Year-End 1985	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
Income	$9,517,203	$18,374,703	$9,300,269	$18,640,542	$12,718,754
Premium	5,365,282	14,143,632	7,333,282	12,617,914	7,243,094
Investment Income	4,151,921	4,231,071	1,966,987	6,022,628	5,475,660
Other Income	0	0	0	0	0
Expenditures	6,350,485	12,374,893	7,853,938	14,013,072	13,442,466
Paid Claims	3,482,242	9,148,642	4,899,749	8,776,911	8,200,116
Loss Adj. Exp.	2,385,804	1,784,952	2,230,584	1,597,911	4,476,657
Other Expenses	482,439	1,441,299	723,605	3,638,250	765,693
Net Cash Flow	3,166,718	5,999,810	1,446,331	4,627,470	(723,712)

Exhibit 5

Loss and LAE Reserves

Year-End 1985	Florida	Kansas	Massachusetts	New Hampshire*	New York
Loss and LAE Reserves	$31,370,199	$4,893,280	$892,641,205	$48,313,767	$608,637,369
Loss Reserves	23,906,630	3,495,200	622,520,813	35,385,942	477,222,564
LAE Reserves	7,463,569	1,398,080	270,120,392	12,927,825	131,414,805
Loss Reserves	23,906,630	3,495,200	622,520,813	48,313,768	477,222,564
Pending	18,929,354	3,150,200	260,974,445	37,488,755	209,264,506
IBNR	$ 4,977,276	$ 345,000	$361,546,368	$10,825,013	$267,958,058
Pending Claims	Not Reported	85	3,686	299	2,206
Average Pending Claim		$ 37,061	$ 70,802	$ 125,380	$ 94,862

Year-End 1985	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
Loss and LAE Reserves	$40,413,518	$181,556,591	$32,209,768	66,234,097	$86,783,687
Loss Reserves	31,763,621	156,480,809	23,929,312	59,940,887	60,263,076
LAE Reserves	8,649,897	25,075,782	8,280,456	6,293,210	26,520,611
Loss Reserves	31,763,621	156,480,809	23,929,312	59,940,887	60,263,076
Pending	15,177,146	41,674,777	7,286,938	18,646,284	16,412,853
IBNR	$16,586,475	$114,806,032	$16,642,374	$41,294,603	$43,850,223
Pending Claims	Not Reported	901	494	551	1,147
Average Pending Claim		$ 46,254	$ 14,751	$ 33,841	$ 14,309

* Pending and IBNR Loss Reserves also include LAE Reserves

Exhibit 6
Pending Claims

Calendar Year	Florida	Kansas	Massachusetts	New Hampshire	New York
1975	Not Reported		36		79
1976	Not Reported		34	7	198
1977	Not Reported		103	15	188
1978	Not Reported		151	17	229
1979	Not Reported	1	226	31	248
1980	Not Reported		336	55	271
1981	Not Reported	1	479	50	323
1982	Not Reported	4	610	36	295
1983	Not Reported	16	573	37	262
1984	Not Reported	22	567	34	91
1985	Not Reported	41	571	17	22
Total	Not Reported	85	3,686	299	2,206

Calendar Year	Pennsylvania	Rhode Island	South Carolina	Texas	Wisconsin
1975	Not Reported	8		1	2
1976	Not Reported	15	3	28	10
1977	Not Reported	21	10	45	22
1978	Not Reported	34	7	54	32
1979	Not Reported	50	23	61	27
1980	Not Reported	90	28	62	46
1981	Not Reported	156	45	50	140
1982	Not Reported	208	121	60	314
1983	Not Reported	161	103	82	197
1984	Not Reported	94	97	54	183
1985	Not Reported	64	57	54	174
Total	Not Reported	901	494	551	1,147

Exhibit 7
Reserve Development

	Florida (Fiscal Year)			New Hampshire		
Accident Year	Original Reserve	Developed Reserve	Redundency/ (Deficiency)	Original Reserve	Developed Reserve	Redundency/ (Deficiency)
1975	$ 6,164,771	$ 7,297,771	($ 1,133,000)			
1976	9,096,805	6,445,805	2,651,000	Not Available	$ 3,309,535	
1977	6,562,029	6,248,771	313,258	Not Available	3,444,172	
1978	7,392,625	8,449,452	(1,056,827)	Not Available	7,658,600	
1979	5,808,681	10,238,881	(4,430,200)	Not Available	8,042,983	
1980	4,190,641	11,553,641	(7,363,000)	Not Available	8,422,646	
1981	4,363,976	18,551,984	(14,188,008)	$ 2,664,765	5,552,173	($2,887,408)
1982	11,616,665	12,353,665	(737,000)	6,565,788	6,842,444	(276,656)
1983	9,723,880	9,087,710	636,170	12,413,053	8,144,867	4,268,186
1984	4,652,588	6,865,729	(2,213,141)	9,245,517	10,649,576	(1,404,059)
1985	10,251,607	10,251,607	0	14,309,916	14,309,916	0

	New York			Rhode Island		
Accident Year	Original Reserve	Developed Reserve	Redundency/ (Deficiency)	Original Reserve	Developed Reserve	Redundency/ (Deficiency)
1975	$ 8,084,367	$ 30,995,568	($22,911,181)			
1976	44,007,000	74,381,025	(30,374,025)		Not Available	
1977	13,614,000	61,761,395	(48,147,395)		Not Available	
1978	23,668,000	60,779,479	(37,111,479)		Not Available	
1979	40,633,000	72,162,638	(31,529,638)		Not Available	
1980	42,346,997	74,500,998	(32,154,001)	$10,128,614	$22,131,654	($12,003,040)
1981	49,079,674	79,432,017	(30,352,343)	11,979,104	20,800,775	(8,821,671)
1982	65,175,744	63,898,700	1,277,044	18,373,088	29,658,870	(11,285,782)
1983	56,309,053	64,411,422	(8,102,369)	23,186,372	33,415,608	(10,229,236)
1984	30,476,829	34,993,498	(4,516,669)	35,545,996	38,591,894	(3,045,898)
1985	127,759,152	127,759,152	0	49,424,676	49,424,676	0

	South Carolina (Fiscal Year)			Texas		
Accident Year	Original Reserve	Developed Reserve	Redundency/ (Deficiency)	Original Reserve	Developed Reserve	Redundency/ (Deficiency)
1975	$ 2,126,101	$2,603,948	($ 477,847)			
1976	Not Available	2,095,852		$ 5,767,277	$ 5,201,944	$ 565,333
1977	Not Available	3,986,536		9,211,976	9,089,105	122,871
1978	Not Available	3,653,092		8,819,748	9,362,503	(542,755)
1979	3,737,827	5,119,514	(1,381,687)	6,451,681	10,455,859	(4,004,178)
1980	3,842,800	5,161,456	(1,318,656)	3,728,214	9,625,278	(5,897,064)
1981	3,869,282	6,150,558	(2,281,276)	3,380,338	8,567,057	(5,186,719)
1982	4,416,289	8,147,593	(3,731,304)	3,342,294	7,042,592	(3,700,298)
1983	5,021,646	7,456,239	(2,434,593)	3,944,716	8,232,318	(4,287,602)
1984	9,780,856	7,187,558	2,593,298	8,628,249	11,149,623	(2,521,374)
1985	11,369,569	8,828,585	2,540,984	23,864,797	23,864,797	0

Exhibit 8
Cumulative Payout Pattern

Year	Florida	New Hampshire	New York	Rhode Island	South Carolina	Texas
0	0.4%	0.1%	0.3%	0.1%	1.0%	0.5%
1	7.3	3.8	0.7	2.4	6.8	3.5
2	26.3	15.0	1.9	6.6	23.0	15.3
3	50.0	28.5	4.8	17.1	41.7	27.2
4	72.7	40.5	10.3	28.8	64.6	43.5
5	84.8	58.5	17.1	42.0	78.3	62.0
6	92.0	73.6	24.6	53.4	84.4	72.1
7	97.0	77.2	35.1	64.0	89.3	77.5
8	98.8	80.9	45.3	77.4	95.2	80.7
9	100.0	86.7	51.5	80.8	99.2	83.6
10		93.2	60.0	84.7	100.0	87.1
11		98.1	67.7	88.2		90.3
12		99.7	73.5	91.4		93.5
13		100.0	77.8	94.6		96.8
14		100.0	81.6	100.0		98.4
15		100.0	84.4			100.0
16			88.3			
17			89.8			
18			94.4			
19			96.8			
20			100.0			
Median Payout Term-Years	3.0	4.5	8.8	5.7	3.4	4.4

Exhibit 9A

Florida Payout Pattern as Cumulative Percent of Total Incurred

	Fiscal Accident Year Ending									
Calendar Year	1978	1979	1980	1981	1982	1983	1984	1985	1986	Average
0	0.5%	0.6%	1.0%	0.5%	0.6%	0.3%	0.1%	0.3%	0.0%	0.4%
1	7.7	5.6	6.2	7.7	5.2	7.3	10.0	7.1	8.0	7.3
2	37.9	24.2	21.2	22.8	16.4	28.0	20.9	27.0	28.5	26.3
3	71.9	48.1	47.8	46.5	32.3	43.3	46.3	50.3	50.9	50.0
4	85.2	81.3	67.3	66.1	59.6	71.4	72.6	74.8	75.7	72.7
5	91.5	91.4	83.1	79.6	77.5	84.1	84.8	86.0	86.4	84.8
6	94.2	94.1	89.6	89.5	88.1	91.7	92.1	92.7	92.9	92.0
7	97.6	96.8	95.6	95.8	95.1	96.6	96.8	97.1	97.1	97.0
8	98.5	98.9	98.5	98.5	98.3	98.8	98.9	99.0	99.0	98.8
9	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median In Years	2.4	3.1	3.1	3.2	3.6	3.2	3.1	3.0	3.0	3.0

Exhibit 9B

New Hampshire Payout Pattern as Cumulative Percent of Total Incurred

	Accident Year						
Calendar Year	1980	1981	1982	1983	1984	1985	Average
0	0.1%	0.1%	0.4%	0.2%	0.0%	0.0%	0.1%
1	1.0	12.6	3.7	2.0	0.5	3.1	3.8
2	21.5	19.4	13.2	13.8	9.9	12.4	15.0
3	32.7	25.1	26.9	30.5	27.0	29.0	28.5
4	49.1	39.0	38.5	41.0	36.9	38.7	40.5
5	54.5	59.2	59.0	60.7	58.1	59.3	58.5
6	71.1	73.8	73.9	75.1	73.5	74.3	73.6
7	75.1	78.2	77.7	78.5	76.5	77.2	77.2
8	79.3	82.2	81.6	82.0	79.9	80.6	80.9
9	85.5	87.8	87.2	87.4	85.9	86.3	86.7
10	92.6	93.7	93.4	93.6	92.8	93.1	93.2
11	97.9	98.1	98.1	98.2	98.0	98.1	98.1
12	99.7	99.7	99.7	99.8	99.8	99.8	99.7
13	100.0	99.9	100.0	100.0	100.0	100.0	100.0
14	100.0	100.0	100.0	100.0	100.0	100.0	100.0
15	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median In Years	4.2	4.5	4.6	4.5	4.6	4.5	4.5

Exhibit 9C

New York Payout Pattern as Cumulative Percent of Total Incurred

	Accident Year											
Calendar Year	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Average
0	0.0%	0.5%	0.1%	0.0%	0.3%	0.3%	0.4%	0.5%	0.6%	0.9%	0.1%	0.3%
1	0.5	1.0	0.6	0.6	0.7	0.6	0.6	0.6	0.9	1.2	0.2	0.7
2	1.6	2.3	2.2	1.9	2.0	1.6	1.7	1.4	2.0	3.0	0.7	1.9
3	3.5	7.3	6.9	5.1	4.9	3.8	3.3	3.5	6.2	7.1	1.7	4.8
4	10.0	13.5	9.8	11.7	11.5	9.0	6.8	10.6	13.1	13.9	3.4	10.3
5	14.9	21.2	16.5	16.5	18.6	15.4	16.2	19.4	21.6	22.4	5.5	17.1
6	20.9	26.9	22.4	23.4	23.5	25.7	25.6	28.3	30.2	30.9	13.1	24.6
7	27.3	34.0	35.9	31.8	35.9	37.6	37.0	39.1	40.7	41.3	26.2	35.1
8	42.3	41.7	43.7	44.7	47.3	48.2	46.5	47.9	49.3	49.8	37.0	45.3
9	46.9	48.4	53.3	53.1	54.5	54.8	51.8	52.7	53.8	54.3	42.9	51.5
10	55.3	63.1	64.7	63.2	63.2	62.9	58.6	58.9	59.8	60.2	50.5	60.0
11	67.0	73.6	73.2	71.1	70.4	69.6	65.0	64.9	65.6	66.0	57.8	67.7
12	75.3	80.9	79.3	77.0	75.8	74.9	70.1	69.9	70.5	70.8	63.8	73.5
13	81.2	86.0	83.7	81.3	79.9	78.9	74.2	73.8	74.2	74.5	68.5	77.8
14	85.8	89.9	87.3	84.9	83.3	82.3	77.9	77.4	77.8	78.1	73.0	81.6
15	88.0	91.4	89.2	87.2	85.9	85.0	81.3	80.9	81.2	81.4	77.1	84.4
16	90.9	93.6	91.9	90.4	89.4	88.7	85.9	85.6	85.9	86.0	82.7	88.3
17	92.1	94.4	93.0	91.6	90.8	90.2	87.8	87.5	87.7	87.9	85.0	89.8
18	95.7	96.9	96.1	95.4	94.9	94.6	93.3	93.2	93.3	93.3	91.8	94.4
19	97.5	98.2	97.8	97.4	97.1	96.9	96.2	96.1	96.1	96.2	95.3	96.8
20	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	9.4	9.1	8.7	8.6	8.4	8.3	8.7	8.4	8.2	8.1	9.9	8.8

Exhibit 9D

Rhode Island Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Average
0	0.3%	0.2%	0.1%	0.1%	0.4%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
1	1.6	0.6	0.6	0.8	1.7	0.9	6.6	1.3	6.2	4.0	2.4
2	4.3	3.1	1.9	3.0	13.4	3.9	12.4	7.1	9.1	7.6	6.6
3	10.0	5.5	10.4	15.8	27.7	16.1	20.4	20.9	23.0	21.4	17.1
4	19.6	10.7	15.8	34.0	44.1	24.1	33.9	34.4	36.5	34.9	28.8
5	21.8	34.2	24.8	58.5	51.1	38.8	47.4	47.1	48.3	47.5	42.0
6	40.0	44.5	43.7	60.1	61.0	51.3	58.1	57.8	59.0	58.3	53.4
7	60.9	70.3	44.9	68.1	68.7	61.0	66.6	66.1	67.1	66.5	64.0
8	78.8	72.5	67.4	80.6	80.6	76.1	79.7	79.1	79.9	79.4	77.4
9	78.2	77.1	73.0	83.9	83.9	80.0	83.2	82.4	83.1	82.8	80.8
10	83.9	81.8	78.6	87.2	87.2	83.9	86.7	85.8	86.3	86.2	84.7
11	87.8	85.8	83.4	90.2	90.0	87.4	89.8	88.8	89.3	89.2	88.2
12	91.1	89.8	87.8	92.9	92.7	90.8	92.7	91.7	92.3	92.2	91.4
13	94.4	93.7	92.3	95.7	95.3	94.2	95.5	94.7	95.2	95.2	94.6
14	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median In Years	6.5	6.2	7.2	4.7	4.8	5.9	5.2	5.3	5.2	5.2	5.7

Exhibit 9E

South Carolina Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Average
0	0.1%	0.3%	4.9%	0.2%	1.5%	0.1%	1.5%	0.1%	0.3%	0.2%	1.3%	1.0%
1	8.8	7.7	11.7	2.7	7.9	2.0	5.7	5.8	5.4	9.9	7.0	6.8
2	12.2	22.0	26.0	18.4	22.5	20.5	29.7	28.2	22.9	26.6	24.2	23.0
3	23.2	49.3	53.3	29.0	35.6	48.7	43.8	44.7	42.2	45.2	43.2	41.7
4	40.5	60.0	72.6	58.2	71.3	69.8	69.6	67.9	66.2	68.0	66.9	64.6
5	46.7	73.9	82.7	83.4	81.9	83.8	82.7	81.9	80.9	81.9	81.3	78.3
6	61.0	82.9	87.8	87.5	89.2	87.8	87.0	86.5	85.7	86.5	86.0	84.4
7	76.0	87.5	90.6	89.3	92.8	91.9	91.4	91.0	90.4	91.0	90.7	89.3
8	96.0	90.5	96.3	94.7	96.4	95.9	95.7	95.5	95.2	95.5	95.3	95.2
9	100.0	98.6	99.5	99.0	99.3	99.2	99.2	99.1	99.1	99.1	99.1	99.2
10	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median In Years	5.2	3.1	2.9	3.7	3.4	3.1	3.2	3.2	3.3	3.2	3.3	3.4

Exhibit 9F

Texas Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Average
0	0.2%	3.4%	0.1%	0.0%	0.0%	0.3%	0.5%	0.0%	0.1%	0.3%	0.5%
1	5.1	8.1	2.6	0.7	5.5	2.3	6.1	0.9	2.6	1.3	3.5
2	18.8	13.3	4.7	15.1	14.0	17.8	18.3	17.9	17.3	16.2	15.3
3	28.1	22.2	12.6	27.3	30.4	29.2	40.7	27.7	27.2	26.2	27.2
4	52.1	32.0	20.2	32.4	49.0	52.6	56.8	47.2	46.9	46.2	43.5
5	66.9	43.5	44.3	37.4	62.1	74.5	76.8	71.7	71.5	71.1	62.0
6	74.7	51.7	47.0	60.6	75.2	83.3	84.8	81.4	81.3	81.1	72.1
7	77.2	57.4	52.5	71.0	81.7	87.7	88.8	86.3	86.2	86.0	77.5
8	77.7	66.4	59.3	75.1	84.3	89.5	90.4	88.3	88.2	88.0	80.7
9	78.0	72.0	66.1	79.3	86.9	91.2	92.0	90.2	90.2	90.0	83.6
10	84.4	77.6	72.9	83.4	89.5	93.0	93.6	92.2	92.1	92.0	87.1
11	88.3	83.2	79.7	87.6	92.2	94.7	95.2	94.1	94.1	94.0	90.3
12	92.2	88.8	86.4	91.7	94.8	96.5	96.8	96.1	96.1	96.0	93.5
13	96.1	94.4	93.2	95.9	97.4	98.2	98.4	98.0	98.0	98.0	96.8
14	98.0	97.2	96.6	97.9	98.7	99.1	99.2	99.0	99.0	99.0	98.4
15	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median In Years	3.9	5.8	6.5	5.5	4.0	3.9	3.6	4.1	4.1	4.2	4.4

Exhibit 10

Discounted Reserves

Year-End 1985	Florida(1)	Kansas(2)	Massachusetts(3)	New Hampshire	New York
Invested Assets	$35,557,723	$5,780,445	$308,644,984	24,514,859	330,158,197
Discounted Reserves	34,704,948	3,425,296	490,952,663	34,822,576	334,603,512
Difference	852,775	2,355,149	(182,307,879)	(10,307,717)	(4,445,315)

Year-End 1985	Pennsylvania(4)	Rhode Island	South Carolina(5)	Texas	Wisconsin
Invested Assets	$46,252,509	$47,690,134	$18,803,355	57,551,478	67,292,777
Discounted Reserves	40,413,518	126,158,406	22,912,118	47,393,060	60,748,581
Difference	5,838,991	(78,468,272)	(4,108,763)	(10,158,418)	(6,544,196)

(1) Discounted 6-30-86 reserve, invested assets at 12-31-85
(2) Discounting assuming short runoff
(3) Discounting assuming long runoff
(4) Statutory reserve discounted at 6%
(5) Discounted developed 6-30-86 reserve, invested assets at 12-31-85

Exhibit 11

Current Invested Assets vs. Reserve Runoff

	New Hampshire		Rhode Island		South Carolina		New York	
Year	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets
1985		$ 24,514,859		$ 47,690,134		$ 18,863,355		$330,158,197
1986	$ 6,980,136	18,713,762	$20,631,402	29,158,560	$6,613,602	13,164,126	$60,496,000	287,721,031
1987	7,503,226	13,053,896	22,903,284	8,879,546	6,659,888	7,903,892	59,313,000	260,744,092
1988	7,644,507	6,695,235	25,568,960	(15,890,255)	5,492,701	3,251,560	55,742,000	234,306,299
1989	6,643,343	711,392	22,632,550	0	4,318,580	(721,303)	50,251,000	210,388,247
1990	6,470,272	(5,688,805)	20,062,488	0	2,596,681	0	43,347,000	190,686,120
1991	4,019,995	0	16,515,566	0	1,451,790	0	43,058,000	169,058,733
1992	2,056,685	0	13,531,231	0	1,100,394	0	43,785,000	144,273,711
1993	2,038,421	0	11,566,164	0	749,172	0	37,442,000	123,046,180
1994	2,066,237	0	6,509,116	0	399,656	0	29,137,000	107,737,953
1995	1,666,033	0	5,882,892	0	79,676	0	29,292,000	90,554,282
1996	927,540	0	4,961,412	0	0	0	26,876,000	73,855,393
1997	266,170	0	4,386,821	0	0	0	23,830,000	58,325,768
1998	30,395	0	3,309,511	0	0	0	20,396,000	44,484,817
1999	458	0	2,398,760	0	0	0	19,225,000	30,259,326
2000	342	0	0	0	0	0	16,223,000	17,437,076
2001	0	0	0	0	0	0	16,378,000	3,018,774
2002	0	0	0	0	0	0	9,202,000	(5,843,955)
2003	0	0	0	0	0	0	12,100,000	0
2004	0	0	0	0	0	0	5,800,000	0
2005	0	0	0	0	0	0	6,004,000	0
Remaining Liability	$18,761,081		$127,646,766		$7,098,672		$29,747,955	

Exhibit 12A

Florida Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978	20.9%	20.9%	7-9-78
1979	-24.8%	-24.8%	5-28-79
1980	-25.0%	-25.0%	5-15-80
1981	10.0%	10.0%	6-29-81
1982	30.4%	30.4%	9-9-82
1983	25.4%	25.4%	6-28-83
1984	77.6%	77.6%	6-1-84
1985	46.4%	46.4%	7-1-85

Florida Rate Filings for Hospitals and Other Facilities

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978	-8.6%	-8.6%	7-9-78
1979	-19.6%	-19.6%	5-28-79
1980	-25.0%	-25.0%	5-15-80
1981	17.3%	17.3%	6-29-81
1982	29.5%	29.5%	9-9-82
1983	50.4%	50.4%	6-28-83
1984	41.4%	41.4%	6-1-84
1985	6.2%	6.2%	7-1-85

Exhibit 12B

New Hampshire Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978			
1979			
1980	45.0%	45.0%	6-24-80
1981	50.0%	50.0%	6-2-81
1982	70.0%	70.0%	6-9-82
1983	30.0%	30.0%	6-83
1984	Basic 5.1%	5.1%	6-13-84
	Excess 15.0%	15.0%	6-13-84

Exhibit 12C
New York Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	90.0%	15.5%	6-77
1978	98.0%	Disapproved	6-78
1979	104.0%	Disapproved	6-79
1980	186.0%	Disapproved	6-80
1981	210.0%	58.5%	10-81
1982	243.0%	15.0%	[illegible]-82
1983	180.0%	83.3%	[illegible] 85
1984	62.0%	52.3%	1-85
1985	128.0%	14.0%	7-86

Exhibit 12D
Rhode Island Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978	34.1%		No hearing
1979	9.7%	9.7%	6-27-79
1980	25.3%		Withdrawn
1981	Basic 7.4% Excess 12.7% Total 21.0%	12.7%	6-17-81
1982	Basic 41.3%	23.1%	6-23-82
1983	Basic 43.3% Excess 24.7%	24.0%	6-30-83
1984	Basic 44.6% Excess 25.9%	11.5% 16.7%	6-27-84
1985	Basic 101.3% Excess 14.8% Total 131.3%	30.0% 14.8%	6-28-85

Exhibit 12E
South Carolina Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	Physicians	50.0%	50.0%	7-1-77
1978	Hospital	133.0%	133.0%	7-1-78
1979				
1980				
1981	Physicians	40.0%	40.0%	7-1-81
1982				
1983	Physicians	25.0%	25.0%	7-1-83
	Hospital	20.0%	20.0%	7-1-83
1984				
1985	Physicians	25.0%	25.0%	1-1-85
	Hospital	40.0%	40.0%	1-1-85
1986	Physicians	30.0%	30.0%	1-9-86
	Hospital	45.0%	45.0%	1-9-86

Exhibit 12F
Texas Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1979			
1980			
1981	50.0% (A)	Disapproved	4-16-81
1982			
1983	263.0% (B)	263.0%	11-10-83
1984			
1985	50.0% (C)	50.0%	5-21-85
	50.0% (D)	50.0%	10-29-85

(A) Hospital
(B) Dentists and oral surgeons
(C) Physicians, surgeons, hospitals, and other institutions
(D) Podiatrists

APPENDIX A

INSTRUCTIONS FOR FILLING OUT MEDICAL MALPRACTICE JUA DATA COLLECTION FORM

The Medical Malpractice JUA Data Collection Form is divided into two sections, each section having several parts. The first section requests information that is currently contained in insurance company annual statements (1986 version) filed with the states. Many JUAs file this document. Instead of filling out the three pages of data requested in the annual statement section, you may send us the 1986 JUA Annual Statement or the following pages from that Annual Statement: pages 2, 3, 4, 5, 8, 9, 10, 11; Schedule D Summary; Schedule D, Part 1A; and Schedule P, Part 1C.

If you have any questions concerning the data requested, please contact Roger Kenney, Research Manager, Alliance of American Insurers, 1501 Woodfield Road, Suite 400 West, Schaumburg, Illinois 60173-4980, (312) 490-8574.

Annual Statement Data

The data requested for Parts 1, 2, and 3 should be self-explanatory as the source for the information, page, column, and line position of the data element as it appears in the 1986 version of the annual statement, is provided.

Supplemental Data

Part 1 - This part asks for the anticipated reserve run-off pattern. For each accident year reserve as listed across the top of the exhibit, please estimate either the dollars or the percentage of the total reserve that will be paid in each of the years listed in the first column.

Part 2 - This part asks for the calendar year paid broken down by accident year. For each calendar year listed in the first column, enter the total paid for that calendar year in the second column and the amount paid for each accident year in the appropriate subsequent columns. For example, for 1985 show the total paid in 1985 in the second column. In the third column under 1976, show the amount paid in 1985 for claims which occurred in 1976. By analogy enter the paid for 1977 on through 1985 in the subsequent columns. This will be the only time the historical information is requested. Future requests will ask only for the current calendar year paid broken down by accident year.

Part 3 - This part asks for loss and loss adjustment expense reserve developments. For each accident year listed in the first column, put the original reserve set for that accident year in the second column. In the third column, place the current estimate of the original reserve for each accident year. This amount would be equal to the year-to-date paid on the original accident year reserve plus the remaining reserve for the accident year.

Part 4 - This part asks for the portfolio yield distributed by type of security and by year acquired. For each of the three types of securities currently in your portfolio, put the value of the securities and the current yield. For stocks, use the market value as of year-end 1985 and for bonds use the book value.

Part 5 - This part asks for bond distribution by grade. For each bond grade, enter the total book value. Please indicate the bond rating method used (e.g., Moody).

Part 6 - This part asks for specific claim data regarding new claims filed and settlement breakdowns. Realizing many JUAs do not have the detailed settlement information, please fill out as much information as you can.

Part 7 - This part asks for miscellaneous paid data regarding defense expenses and punitive damages. If known, please fill in the amounts for each of the three items listed.

Part 8 - This part asks for rate filing history information. For each calendar year listed in the left-hand column, please indicate the amount of rate increase asked for in the year, if a rate increase was asked for. In the third column, indicate the amount of increase approved and if it was not approved, put "disapproved." In the fourth column, indicate the date of approval, disapproval, or if the rate request is still pending, put "pending."

October 28, 1986

MEDICAL MALPRACTICE JUA DATA COLLECTION FORM

ANNUAL STATEMENT DATA--PART 1

Data Elements	Source	Amount
Total Assets	Page 2 Line 22	
Total Bonds	Page 2 Line 1	
Preferred Stocks	Page 2 Line 2.1	
Common Stocks	Page 2 Line 2.2	
Cash Balance	Page 2 Line 6.1	
Short-Term Investments	Page 2 Line 6.2	
Invested Assets	Page 2 Line 7A	
Premium Balances	Page 2 Line 8	
Total Liabilities	Page 3 Line 23	
Total Loss Reserve	Page 3 Line 1	
Total LAE Reserve	Page 3 Line 2	
Statutory Surplus	Page 3 Line 27	
Net Earned Premium	Page 4 Line 1	
Incurred Losses	Page 4 Line 2	
Incurred LAE	Page 4 Line 3	
Incurred Undwrtg. Expenses	Page 4 Line 4	
Net Underwriting Income	Page 4 Line 7	
Net Investment Income	Page 4 Line 8	
Realized Capital Gains	Page 4 Line 9	
Net Operating Income	Page 4 Line 18B	
Unrealized Capital Gains	Page 4 Line 23	
Change in Non-Admitted Assets	Page 4 Line 24	
Net Cash Flow	Page 5 Line 10	
Direct Written Premium	Page 8 Col 1 Line 31	
Net Written Premium	Page 8 Col 4 Line 31	
Net Losses Paid	Page 9 Col 4 Line 31	
Total Pending Reserve	Page 10 Col 3 Line 31	
Net LAE Paid	Page 11 Col 1 Line 25	
Book Value of Securities	Sched D Sum Col 2 Line 68	
Bonds-Market Value	Sched D Sum Col 3 Line 30	
Market Value of Securities	Sched D Sum Col 3 Line 68	

MEDICAL MALPRACTICE JUA DATA COLLECTION FORM

ANNUAL STATEMENT DATA--PART 2

PENDING CLAIMS AND LOSS & LAE RESERVE DISTRIBUTION

(This is in Schedule P Part 1C, Columns 8, 9, and 10 Respectively)

Accident Year	Number of Pending Claims	Loss Reserve	LAE Reserve
Prior '76			
1976			
1977			
1978			
1979			
1980			
1981			
1982			
1983			
1984			
1985			
TOTAL			

MEDICAL MALPRACTICE JUA DATA COLLECTION FORM

ANNUAL STATEMENT DATA--PART 3

BOND MATURITY DISTRIBUTION BY TYPE

(This data is contained in Schedule D Part 1A; Government Bonds Are in Columns 2 and 3; Non-Government Bonds are in Column 4)

Maturity	Government	Non-Government	Total
1 Year or Less	____________	____________	____________
Over 1 Through 3	____________	____________	____________
Over 5 Through 10	____________	____________	____________
Over 10 Through 15	____________	____________	____________
Over 15 Through 20	____________	____________	____________
Over 20	____________	____________	____________
TOTAL	____________	____________	____________

MEDICAL MALPRACTICE JUA DATA COLLECTION FORM
SUPPLEMENTAL DATA--PART 1
ANTICIPATED RESERVE RUNOFF PATTERN

Year Paid	Accident Year Reserve											
	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975
1987												
1988												
1989												
1990												
1991												
1992												
1993												
1994												
1995												
1996												
1997												
1998												
1999												
2000												
2001												
2002												
2003												
2004												
2005												
2006												
2007												
TOTAL												

MEDICAL MALPRACTICEJUA DATA COLLECTION FORM

SUPPLEMENTAL DATA--PART 3

LOSS AND LAE RESERVE DEVELOPMENT

Accident Year	Original Reserve	Current Estimate Of Original Reserve
1976	____________	______________
1977	____________	______________
1978	____________	______________
1979	____________	______________
1980	____________	______________
1981	____________	______________
1982	____________	______________
1983	____________	______________
1984	____________	______________
1985	____________	______________

MEDICAL MALPRACTICE JUA DATA COLLECTIN FORM

SUPPLEMENTAL DATA--PART 4

PORTFOLIO YIELD DISTRIBUTION BY TYPE OF SECURITY AND BY YEAR ACQUIRED

Year Acquired	Stocks	Government Bonds	Non-Government Bonds
1976			
Yield			
1977			
Yield			
1978			
Yield			
1979			
Yield			
1980			
Yield			
1981			
Yield			
1982			
Yield			
1983			
Yield			
1984			
Yield			
1985			
Yield			

MEDICAL MALPRACTICE JUA DATA COLLECTION FORM

SUPPLEMENTAL DATA--PART 5

BOND GRADE DISTRIBUTION

Bond Grade	Government Bonds	Non-Government Bonds
________	____________	____________
________	____________	____________
________	____________	____________
________	____________	____________
________	____________	____________

MEDICAL MALPRACTICE JUA DATA COLLECTION FORM

SUPPLEMENTAL DATA--PART 6

CLAIM DATA

Item	Number
# Of New Claims Filed	________
# Of Claims Closed	________
# Of Claims Settled Before Appeal	________
# Of Claims Settled Before Trial	________
# Of Claims Resolved By Verdict	________
# Of Claims Settled During Trial	________
# Of Claims Resolved By Appeal	________
# Of Claims Resolved W/Punitive	________
# Of Claims Asking Punitive Damages	________

MEDICAL MALPRACTICE JUA DATA COLLECTION FORM

SUPPLEMENTAL DATA--PART 7

MISCELLANEOUS PAID DATA

Item	Amount
Amount Paid Attorneys For Defense	________
Other Allocated Amounts Paid for Defense	________
Amount of Punitive Damages Paid	________

MEDICAL MALPRACTICE JUA DATA COLLECTION FORM

SUPPLEMENTAL DATA--PART 8

RATE FILING DATA

Year	Percent Asked For	Percent Approved	Date Final Decision Made
1977			
1978			
1979			
1980			
1981			
1982			
1983			
1984			
1985			

A0375-1-W

1987
Financial Condition of Medical Malpractice JUAs

PREPARED BY:

Roger K. Kenney of
the Alliance of American Insurers for
the National Coordinating Committee on Medical Malpractice JUAs.

Alliance
of American Insurers

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Executive Summary

The financial condition of ten medical malpractice JUAs established in the late 1970's is of continuing concern to the property/casualty insurance industry. These JUAs provide professional liability coverage for health care providers in Florida, Kansas, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, South Carolina, Texas, and Wisconsin. Based on their 1987 results, only one, Pennsylvania, reported a statutory surplus. Florida, Kansas, and Texas each reported a zero dollar surplus. The other six reported statutory deficits ranging from seventeen million dollars to almost eight hundred million dollars. In the six states with deficits, insurers can be assessed to cover the deficits, although to date no JUA, except Texas, has assessed insurers.

In response to this and other concerns, the National Coordinating Committee on Medical Malpractice JUAs was reactivated in 1985. The Committee was originally created in the late 1970's to assist the fledgling medical malpractice JUAs and later deactivated. Upon reactivation, the Committee established the Financial Data Subcommittee to examine the financial condition of medical malpractice JUAs. The Subcommittee was specifically charged to collect data on the financial condition of each JUA and to issue a report accurately reflecting each JUA's financial condition. This is the third report. The first report, published in June 1987 entitled, *Financial Condition of Medical Malpractice JUAs*, reported on the JUAs' financial condition as of 1985. The second report, published in February 1988 entitled, *1986 Financial Condition of Medical Malpractice JUAs*, reported on the JUAs' financial condition as of 1986. Both studies found that the invested assets of five JUAs were insufficient to pay all existing claim liabilities even after taking into consideration the investment income expected to be earned on those invested assets.

After the second report was released, the Subcommittee decided to update the earlier reports using 1987 data. As with the first two studies, the amount of data supplied by the JUAs varied resulting in the analysis not being as thorough for some JUAs. The analysis for each JUA concentrates on assets, cash flow, statutory reserves, discounted reserves, and rate filing history.

The results of this study that are based on the discounted reserves need to be interpreted as conservative results in that the discounted reserves are very sensitive to the assumptions behind the discounting. If the assumptions behind the discounting prove to be optimistic, JUAs appearing to have sufficient funds to pay claim liabilities may not, and JUAs appearing to have insufficient funds to pay claim liabilities will have even larger shortages.

Major Findings

- The same five JUAs, Massachusetts, New Hampshire, New York, Rhode Island, and South Carolina, that in 1985 and 1986 were estimated to have insufficient funds to pay all existing claim liabilities even after taking into consideration the investment income to be earned on current assets, continue to have insufficient funds. In addition, the JUAs in Florida and Kansas join the list. The deficiency in Massachusetts increased from $365.3 million in 1986 to $430.0 million in 1987. The deficiency in the New York JUA increased from $132.5 million to $244.8 million. The deficiency in Rhode Island decreased from $81.2 million to $74.0 million. The deficiency in South Carolina increased slightly to $4.8 million. The deficiency in New Hampshire declined from $6.3 million to $0.7 million. In Florida

	Deficiency in Millions		
JUA	1987	1986	1985
Massachusetts	$430.0	$365.3	$182.3
New York	244.8	132.5	4.4
Rhode Island	74.0	81.2	78.5
Florida	10.5	(4.2)	(0.9)
South Carolina	4.8	3.5	4.1
New Hampshire	0.7	6.3	10.3
Kansas	Less than 0.1	(2.4)	-

the $4.2 million estimate surplus was replaced by a $10.5 million deficiency. In Kansas a very small deficit is estimated, $29,000.

The deficiencies will increase if current reserves are understated, current investment yields are not maintained, claims are paid sooner than expected, or if securities have to be sold for less than full value in order to meet claim payment obligations.

The other three JUAs, Pennsylvania, Texas, and Wisconsin, appear to currently have sufficient funds to pay existing claim liabilities if future investment income expected to be earned on current funds is taken into consideration.

Surplus in Millions

JUAs	1987	1986	1985
Texas	$27.1	$7.4	$10.2
Wisconsin	8.3	0.1	6.5
Pennsylvania	5.1	2.9	5.8

Deficiencies, however, could quickly develop for any of these JUAs if reserves are understated, current investment yields are not maintained, claims are paid sooner than expected, or if securities have to be sold at less than full value in order to pay claims.

These findings show the volatility in the JUAs' financial results which makes it difficult to precisely quantify their financial condition. What can be concluded despite the volatility is:

- The Massachusetts and New York JUAs' financial conditions are rapidly deteriorating.
- The Kansas, Pennsylvania, Rhode Island and South Carolina JUAs' financial conditions appear to be stable.
- The Florida JUA financial condition may be deteriorating.
- The New Hampshire and Wisconsin financial conditions have improved.
- The Texas JUA is financially the strongest.

Additional Findings

Other findings include:

- Market Share - The market share for most JUAs did not change significantly between 1986 and 1987. Five JUAs, Florida, Kansas, New York, Pennsylvania and Texas act as true residual markets. The other five are essentially the only market for individual health care providers.

Market Share

JUA	1987	1986	1985
Florida	10.4%	10.5%	5.5%
Kansas	5.9	3.1	3.8
Massachusetts	84.5	69.0	73.0
New Hampshire	52.5	53.2	56.1
New York	14.3	21.6	12.5
Pennsylvania	3.4	3.4	3.2
Rhode Island	75.1	82.6	87.4
South Carolina	53.7	47.0	52.4
Texas	9.9	13.2	11.8
Wisconsin	46.8	34.8	20.7

- Assets - Government bonds usually comprise the major share of JUA invested assets. The balance of the invested assets is almost always in cash and in short-term investments. Little change in the portfolio distribution occurred between 1986 and 1987. Kansas invests almost exclusively in short-term investments. New York increased its short term investments resulting in a decline in the percentage of investments held in bonds.

Portfolio Distribution
Bonds

JUA	1987	1986	1985
Florida	95%	95%	88%
Kansas	0	0	0
Massachusetts	92	97	97
New Hampshire	79	70	74
New York	74	94	92
Pennsylvania	87	94	87
Rhode Island	85	86	86
South Carolina	90	88	96
Texas	95	91	81
Wisconsin	91	90	54

- Investment Yields - The investment yields for all JUAs dropped between 1986 and 1987.

Investment Yield

JUA	1987	1986	1985
Florida	8.4%	8.7%	10.6%
Kansas	5.2	6.0	10.0
Massachusetts	7.9	9.4	10.7
New Hampshire	7.3	7.8	9.9
New York	8.4	8.5	11.2
Pennsylvania	7.1	7.7	9.0
Rhode Island	7.6	8.7	9.0
South Carolina	7.9	10.6	10.6
Texas	8.2	9.0	10.3
Wisconsin	7.1	8.5	8.1

- Cash Flow - All JUAs reporting 1987 data had positive cash flow, except Kansas. All states, except Florida and Texas, had improved cash flow.

Cash Flow
($ in Thousands)

JUA	1987	1986	1985
Florida	$ 9,003	$13,270	$(1,062)
Kansas	(499)	(1,937)	(2,939)
Massachusetts	94,802	11,089	32,012
New Hampshire	8,408	6,873	8,954
New York	71,698	30,452	77,942
Pennsylvania	4,165	3,502	3,167
Rhode Island	15,688	13,368	6,000
South Carolina	5,847	616	1,446
Texas	3,900	9,677	4,627
Wisconsin	12,082	4,787	(724)

- Historical Reserve Developments - Reserve developments indicate that the initial accident-year loss and loss adjustment expense reserves established by most JUAs have proved to be too low.

Reserve Development
($ in millions)

JUA	Total (Deficiency) or Redundancy Since Inception	Deficiency/ Redundancy as % of Original Reserve
Florida	$(31.0)	38.9%
Kansas	2.4	14.4
New Hampshire	3.6	6.1
New York	(98.9)	10.9
Rhode Island	4.6	2.2
South Carolina	(5.7)	8.1
Texas	(30.7)	27.7

- Recent Reserve Developments - During the past two years several states have reduced reserves estimates for prior years while others continued to add to prior years' reserves. New York and Rhode Island have reduced reserves the most. Texas and New Hampshire strengthened prior year reserves in 1987.

Reserve Development
($ in Millions)
Redundancies and (Deficiencies) in:

JUA	1987	1986
Florida	$ 1.0	$(4.5)
Kansas	0.3	1.7
New Hampshire	(2.8)	1.6
New York	92.0	53.0
Rhode Island	12.1	28.6
South Carolina	1.5	4.9
Texas	(4.0)	(1.3)

Introduction

In response to the medical malpractice crisis of the mid-1970's, many states enacted laws allowing the insurance commissioner to establish a JUA if the commissioner deemed the JUA necessary in order to provide medical malpractice coverage for health care providers. Ten of the medical malpractice JUAs established in the late 1970's still offer coverage to health care providers. These JUAs exist in Florida, Kansas, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, South Carolina, Texas, and Wisconsin. The market shares for these JUAs range from 3% to more than 80%. Virginia, Minnesota, and Puerto Rico established or activated medical malpractice JUAs in 1985 and 1986. Although it is too early to analyse their financial condition, information on Minnesota and Virginia are presented in this report.

When the National Coordinating Committee on Medical Malpractice JUAs was reactivated in 1985, one of its main concerns was the financial stability of the medical malpractice JUAs. All states except Kansas and Pennsylvania currently have provisions to assess insurers to cover unfunded JUA liabilities. A review of the JUA 1987 statutory results below illustrates the potential magnitude of the possible assessments. The deficits ranged from more than two hundred thousand to several hundred million dollars.

In response to this concern, the Committee created the Financial Data Subcommittee charging it with the responsibility of collecting data on the financial condition of each medical malpractice JUA and issuing a report accurately reflecting each JUA's financial condition.

After reviewing existing public documents including annual statements and financial reports, the Subcommittee concluded that additional data was needed to fulfill its charge. To this end, the Subcommittee designed a survey to collect data regarding historical claim payments, anticipated reserve runoff, reserve development, claim detail, investment data, and rate filing history in addition to selected annual statement data items. The form has been sent to each of ten JUAs on three different occasions. Minnesota and Virginia participated in the latest effort. Six JUAs, Florida, New Hampshire, New York, Rhode Island, South Carolina, and Texas, completed and returned the entire questionnaire. For various reasons, three JUAs, Kansas, Massachusetts, and Pennsylvania, supplied only annual statement data. Wisconsin supplied annual statement data and some additional data. The data from the first two requests were analyzed and the results published in two earlier reports. This report covers the data from the third request.

Statutory Balance Sheet for Medical Malpractice JUAs ($ in thousands)

State	Statement Date	Assets	Liabilities	Statutory Surplus
Florida	12/87	$ 60,489	$ 60,489	$ 0
Kansas	6/87	8,641	8,641	0
Massachusetts	12/87	461,971	1,247,103	(785,132)
Minnesota	12/87	368	588	(220)
New Hampshire	12/87	44,562	72,810	(28,248)
New York	12/87	573,341	1,350,544	(777,202)
Pennsylvania	12/87	57,923	54,885	3,038
Rhode Island	12/87	86,119	246,092	(159,973)
South Carolina	6/87	25,331	42,747	(17,417)
Texas	12/87	125,978	125,978	0
Virginia	12/87	3,488	2,624	863
Wisconsin	12/87	85,090	105,182	(20,092)

The analysis for each JUA concentrates on:

- Assets - including portfolio mix, investment quality, yield, and bond maturity.
- Cash Flow - including income and expenditure components.
- Statutory Reserves - including pending claim reserves (reserves for claims actually reported to the JUAs, but not yet settled) IBNR claim reserves (reserves for claims not yet reported to the JUA), loss adjustment expense reserves, pending claims, average pending claim size, and developed reserve as of the latest valuation date.
- Discounted Loss and Loss Adjustment Expense Reserves - Including comparison to invested assets, and an estimate of when invested assets can be expected to be exhausted if (1) the discounted reserve is larger than the invested assets and (2) the JUA has no additional income. The latter assumption is not realistic for an ongoing JUA but is used to illustrate how long a JUA could pay claims before exhausting current assets if it stopped issuing policies as others have done in the past.
- Rate Filing History - including a comparison of requested rate changes to approved rate changes.

The most critical part of the analysis is the discounting of loss and loss adjustment expense reserves. Discounting provides an estimate of the current amount of funds which if invested will be sufficient to pay current liabilities as they become payable in the future. If the discounted value is less than current funds, all future payments can be expected to be made. If the discounted value is greater than current funds, funds can be expected to be exhausted before all claims are paid. In the latter case, insurers may have to provide the additional money to pay the claims.

Four critical assumptions are inherent to discounting. The discounting assumptions are:

- The total loss and loss adjustment expense reserve is adequate. This may be an optimistic assumption given that, historically, initial reserves have proved to be inadequate. If current reserves are inadequate, the discounted value of the future payments is understated.
- The reserve runoff will occur as predicted. If claims are paid sooner than expected, the discounted reserve will be understated.
- The embedded yield (weighted average return) on the bond portfolio will be obtained throughout the runoff period. For most states the current embedded yields are 7%-8%. The bonds for most JUAs will mature before the funds are needed to pay claims. The funds, therefore, will have to be reinvested. If the yields then available are less than current embedded yields, the JUAs will not be able to reinvest the funds at rates sufficiently high enough to maintain the current embedded yield. If the JUAs cannot maintain their current embedded yields, the discounted reserve will be understated.
- The JUA will be able to obtain full value for its bonds. For most JUAs, bond maturity is sooner than when liabilities are due. Over the next two or three years most JUAs should receive full value for their current bond holdings. If JUAs reinvest in securities that mature as liabilities fall due, they should receive the full value of their investments. If they do not reinvest so that maturities match when liabilities are due, they may have to sell securities at less than their full value. The discounting assumes bond maturity will match when liabilities are due.

Understated discounted reserves will have a negative impact on results. If a JUA appears to have sufficient funds to pay claim liabilities, the funds may not be sufficient if discounted reserves are understated. If a JUA appears to have insufficient funds to pay claim liabilities, the deficiency will be larger if discounted reserves are understated.

The discounted reserve is compared to invested assets in order to determine if assets on hand are sufficient to meet the future runoff. Other assets exist, usually premium balances and accrued interest which, when received, would be available for investment purposes or the payment of claims. Invested assets are used because they represent funds the JUAs actually hold.

The remainder of the report contains three sections. Immediately following is the detailed analysis of each JUA. This section contains a separate analysis of each JUA. The next section contains exhibits displaying the 1987 data referred to in the first section. Each exhibit contains data for all JUAs in order to facilitate comparisons. The last section contains exhibits from the second study displaying 1986 data.

Florida Medical Malpractice JUA

History

The Florida JUA was activated July 1, 1975. Members include all liability insurers, medical malpractice insurers, and certain self-insurers. The JUA was established to provide coverage for all health care providers. Occurrences and claims-made "tail" coverages are offered. The JUA currently has 10.4% of the medical malpractice market share based on premiums (Exhibit 1) which is about the same as in 1986.

Funding and Deficit Provisions

Funds for the JUA come from 1) policyholder premiums, 2) policyholder assessments, and 3) member assessments. If a deficit occurs, policyholders could be assessed up to one-third of their annual premium. Based on 1987 premium this assessment would be $7.4 million. If this assessment is not sufficient to cover the deficit, insurer members are assessed based on their total premium volume in the state. There is no provision for the insurers to recoup their assessment.

Balance Sheet

As of year-end 1987, the Florida JUA balance sheet showed assets and liabilities of $60.5 million resulting in no surplus. (See Exhibit 2). These figures are up more than a 20% from 1986. The Florida JUA accounting procedures are unique in that the unearned premium reserve includes not only the traditional unearned premium reserve but also any refund due the policyholders or any deficit accrued by the JUA. As of year-end 1986 the unearned premium reserve was a negative $28.8 million. As a result, the JUA always has a surplus of zero. These accounting principles are prescribed by the insurance department.

Assets

Of the $60.5 million in assets, $57.8 million are invested. (See Exhibit 3). Of this amount, $54.7 million is invested in bonds. The balance, $3.1 million, is held in cash. The bonds have an embedded (weighted average) yield of 8.4%, which is down slightly from 1986. Most of the bonds, $33.8 million, are government bonds. Average bond maturity is 5.3 years. The balance of $20.9 million is non-government bonds. Of this amount all but $1.5 million is rated A or better. Premium balances, $1.7 million, and interest income due and accrued, $1.0 million, comprise the non-invested assets.

Cash Flow

In 1987, the Florida JUA had a $9.0 million positive cash flow (Exhibit 4) which was down from the $13.3 million in 1986. The decrease is due to paid claims more than doubling from $4.3 million in 1986 to $9.7 million in 1987. JUA income totaled $26.2 million with $22.2 million was from premiums ($20.7 million in 1986) and $4.0 million from investment income ($4.0 million in 1986). Expenditures were $17.2 million of which $9.7 million went for claim payments ($4.3 million in 1986), $5.3 million went for loss adjustment expenses ($5.2 million in 1986) and $2.2 went for other expenses ($2.0 million in 1986).

Statutory Reserves

As of year-end 1987, the JUA reported loss and loss adjustment expense reserves of $87.3 million (Exhibit 5), up almost 70% from 1986 and almost three times the level of year-end 1985. Of this amount $64.9 million was for claim reserves, and $22.4 million was for loss adjustment expense reserves. Claim reserves are up 71%, while loss adjustment expenses are up 66%. The claim reserve is comprised of two segments - $30.3 million for pending claims (i.e., claims reported to the JUA that are not yet settled), $34.5 million is for IBNR claims (injuries that have occurred but for which claims have not been reported to the JUA). The 1987 IBNR reserve is more than twice the 1986 IBNR reserve and seven times the 1985 IBNR reserve. The pending reserve is up 33% from 1986.

Reserve Development

In 1987, reserves for claims incurred prior to accident-year 1987 were decreased $1.0 million but this was the result of both increases and decreases to prior year reserves. (See Exhibit 7A). Reserves for accident-years ending 1976-1979 were decreased between $100-$275 thousand for each year. Reserves for accident-years ending 1982-1984 were decreased approximately $1.0 million for each year. For accident-years ending 1985-1986, reserves were increased a total of $2.8 million.

Accident-year reserve developments in Florida have been very unusual compared to other JUAs studied in that the original accident-year reserves have ranged from $2.7 million too high to $13.8 million too low. There has also been a substantial fluctuation from year to year in the size of the developed accident-year reserve. A developed accident-year reserve is the accident-year reserve that would have been established at the end of the accident-year if what is known now about actual payments and current reserve estimates had been known at the time the accident-year reserve was established. The developed accident-year reserve is the sum of the payments since the end of the accident-year for claims incurred in the accident-year plus the current reserve on claims incurred in the accident-year.

For the first year, 1976, the developed reserve is estimated to be $7.3 million. The developed accident-year reserve fell for the next two years to $6.2 million and then rapidly increased over the next four years to $18.1 million in 1982. Subsequently, the developed accident-year reserve fell to $7.7 million in 1985, almost doubled in 1986 to $13.1 million, and is at $43.2 million in 1987. A detailed analysis of the number of claims, number of insureds, and the size of the claims for each of those years would be necessary in order to understand this substantial variation in the developed accident-year reserves.

Claim Payout

The time to pay half of the ultimate incurred losses (the total amount expected to be paid for any accident-year) in Florida is up in 1987 (3.2 years in 1987 vs. 3.0 years in 1986), and is still the shortest of any state offering occurrence policies. (See Exhibit 8). Up until 1987 the JUA expected all claims to be paid within 10 years. In 1987 they changed this assumption and now expect all claims to be paid within 12 years. (See Exhibit 9A). This change is what caused the increase in the time to pay half of the ultimate incurred losses. The impact on the more recent years was larger with those years (1984-1987) having terms of 3.5 and 3.6 years.

Discounted Reserves

With $57.8 million in invested assets and $87.3 million in outstanding claims, it would appear that the JUA does not have sufficient funds to meet its obligations. Considering the investment income to be earned on the invested assets, however, the JUA might have enough to meet its obligations.

Assuming (1) the current reserve estimate is adequate, (2) the estimated runoff pattern is reasonably accurate, (3) investments will continue to earn their current rate, and (4) full value of the invested assets will be received if forced to sell before maturity, an estimate of how much has to be set aside today in order to meet those loss payments and loss adjustment expense payments can be made. The amount to set aside, or present value, is $68.3 million or $10.5 million more than the invested assets. (See Exhibit 10). It would appear, therefore, that even if all the assumptions prove to be accurate, invested assets in the Florida JUA are insufficient to meet future payment obligations. This deficit is in contrast to a surplus of $4.2 million estimated last year. The large claim reserve increase is the reason for the change. Without using premiums, which are for claims insured in the policy years for which the premiums are collected and using the same four assumptions above, the current invested assets could be depleted by 1992. As long as cash flow remains positive, however, the JUA will be able to meet its obligations.

If these assumptions do not hold, the JUA deficit could be larger. For instance, if reserves prove to be inadequate by as little as 10% (the amount reserves were strengthened in 1986), the $10.5 million deficit increases to $17.3 million. If the JUA cannot maintain its current embedded yield of 8.4% and realizes 7.0% instead, the deficit increases to $13.1 million. If both happen, the deficit doubles to $20.2 million.

Rate Filings

Up until 1986, the Florida JUA had always received the requested rate changes. (See Exhibit 12A). For the years 1978 to 1980 physician and surgeon rates decreased, but those rates increased annually from 10% for 1981 to 77.6% for 1984. For 1985, the filed and approved rate increase was 46.4%. For 1986, a 20% increase was requested for dentists, but only 10% was approved. For 1987, a 20% increase was requested but only 10% was approved. The rate filing history for hospitals and other facilities is similar to that for physicians. Rates decreased between 1978 and 1980 and then increased substantially. For 1986 and 1987, a 99% increase was requested, but only 45% was approved for each year.

Conclusions

The financial condition of the Florida JUA deteriorated in 1987. Considering investment income a surplus existed at year-end 1986. At year-end 1987, a $10.5 million deficit existed. Even if JUA policyholders were assessed the maximum one-third of their annual premium, a deficit of $3.1 million would exist. The $3.1 million could be assessed against the insurance industry.

Kansas Medical Malpractice JUA

History

The Kansas JUA became operational July 1, 1976. Members include all liability insurers. The JUA was established to provide insurance to all health care providers in the state. Only claim-made coverage is offered. The JUA currently writes about 6% of the medical malpractice market based on premium volume. (See Exhibit 1).

Funding and Deficit Provisions

Funding is from three sources: 1) policyholder premiums, 2) Health Care Stabilization Fund, and 3) taxpayers. If a deficit occurs in the JUA, the Health Care Stabilization Fund, financed through surcharges on health care provider annual medical malpractice premiums, is responsible for the deficit. If the Health Care Stabilization Fund cannot cover the deficit, the state general fund is to cover the deficiency. Any amount transferred from the state to the fund is supposed to be repaid. To date, the Stabilization Fund has had sufficient funds to meet the JUA deficit. This study did not collect financial information on the Stabilization Fund.

Balance Sheet

For the fiscal year ending June 30, 1987, the JUA reported assets of $8.6 million with an equal amount of liabilities. (See Exhibit 2). The JUA accounting practices report as an asset the money due from the Stabilization Fund in the case of a deficit. As of fiscal year-end 1987 the JUA was due $2.9 million from the Stabilization Fund. In the case of a surplus, the surplus is listed as a liability due the Stabilization Fund. As a result, the surplus is always zero.

Assets

The JUA invests $5.6 million of the $8.6 million in assets. (See Exhibit 3). About $4.8 million is invested in short-term treasury notes with the balance of $0.8 million held in cash. Most of the non-invested assets is the $2.9 million due from the Stabilization Fund. The invested assets had a yield of 5.2% with maturity of less than one year.

Cash Flow

Cash flow was a negative $0.5 million for the year ending June 30, 1987. (See Exhibit 4). Income from all sources amounted to $2.4 million with $2.1 million from premiums and $0.3 million from investment income. Expenditures amounted to $2.9 million of which $2.0 million went for paid claims, $0.3 million went for loss adjustment expenses, and $0.6 million went for operating expenses.

Statutory Reserves

The $6.5 million loss and loss adjustment expense reserve is comprised of $4.8 million for loss reserves and $1.7 million for loss adjustment expense reserves. (See Exhibit 5). The loss reserves, in turn, are comprised of $4.5 million for pending claims and $0.2 million for IBNR claims. The low IBNR value is due to the fact that the JUA only offers claims made policies. The average reserve value is $52,000, which is up more than 40% from the $37,000 average at June 30, 1986.

Pending Claims

Typically, under an occurrence policy medical malpractice claims are reported well after the medical procedure responsible for the injury took place. Consequently, the number of pending claims for recent years is usually less than the number of pending claims for earlier years. The highest number of pending claims is usually for the year three or four years prior to the current year. The number of pending claims for even earlier years usually declines steadily.

This description of the usual pending claim pattern does not hold for the 87 claims in Kansas. The number of pending claims is highest in the most recent year, 1987. The number of pending claims rapidly declines for earlier years, which is typical of claims-made policies. (See Exhibit 6).

Reserve Development

For six of the ten accident-years since inception, reserves have been redundant. (See Exhibit 7B). For accident years 1977-1979 and 1983 the original reserves were between $200 and $400 thousand too high. For 1984 the redundancy was $800 thousand, and for 1985 the redundancy was $1.3 million. Reserve deficiencies exist for accident-years 1980-1982, $100 to $200 thousand, and 1986, $500 thousand. The recent Kansas Supreme Court decision ruling medical malpractice tort reforms unconstitutional could have an adverse impact on future reserve developments since those tort reforms had among, other things, capped awards.

Claim Payout

Because only claims-made coverage is offered. the amount of time to pay half of the ultimate incurred losses is much shorter in Kansas than in other states, 1.5 years versus up to 9 years. (See Exhibit 8). Such a comparison, however, is misleading. With occurrence coverage, the time measured is from when the injury occurs while with claims-made coverage, the time is measured from when the injury is reported to the JUA.

Discounted Reserves

The discounted reserve calculated using the aforementioned runoff pattern and the invested asset yield of 5.2% is $5.7 million or $0.1 million more than the invested assets. (See Exhibit 10). This small deficit is in sharp contrast to the $4.2 million surplus estimated to exist at June 30, 1986 and demonstrates the importance of the assumptions. The 1986 figures assumed runoff similar to other JUAs and an interest rate equal to the 10% the JUA was earning. If the yield had remained at 10%, a $0.6 million surplus would exist at June 30, 1987.

Conclusions

As long as the Health Care Stabilization Fund continues to cover the JUA's deficit, the JUA should be able to meet its obligations. The investment income cushion is not as large as earlier estimated. As presently structured, insurers are not subject to assessment even if the JUA and/or the Stabilization Fund should encounter financial difficulty.

Massachusetts Medical Malpractice JUA

History

The Massachusetts JUA became operational June 19, 1975. Membership includes all personal liability insurers, including motor vehicle insurers and multiple-peril writers. The JUA offers coverage to all physicians, hospitals, and other health care providers. Both occurrence and claims-made coverage are offered with two-thirds being occurrence and one-third being claims-made. The JUA wrote 84.5% of the medical malpractice coverage in the state in 1987 (Exhibit 1), up from 69.0% in 1986. The large increase is due to the accumulated effect of rate increases approved in 1987 applying to policies effective in 1985, 1986, and 1987.

Funding and Deficit Provisions

Funding is provided from policyholder premiums and member assessments. If a deficit occurs in the JUA, a pro-rata assessment, based on total member premiums, up to a maximum of 1% of the insurer's surplus can be assessed. A recoupment provision provides that insureds covered by any medical malpractice liability policy issued in the state can be assessed or can have their premiums increased in order to reimburse insurers for their JUA assessment.

Balance Sheet

As of year-end 1987, the Massachusetts JUA reported assets of $462.0 million and liabilities of $1.2 billion, resulting in a deficit of $785.1 million. (See Exhibit 2). Assets increased 28% from 1986 while liabilities increased 15%. The deficit increased $75 million during 1987.

Assets

Of the $462.0 million in assets, $389.4 million is invested. (See Exhibit 3). Almost $360.0 million is invested in bonds, $19.2 million is invested in short-term securities, and $10.5 million is held in cash. Non-invested assets amount to $72.5 million of which $63.1 million is in premium balances and $9.4 is due from interest income accrued. The large amount in premium balances is due to difficulties in collecting the rate increases on policies written in 1985 and 1986. Bond maturity averages 9.5 years. While no data was provided on bond yields, the overall investment yield (investment income divided by invested assets) is 7.85% down from 9.4% in 1986.

Cash Flow

Despite the deteriorating deficit, cash flow increased tremendously in 1987 (Exhibit 4), rising from $11.1 million in 1986 to $94.8 million in 1987. Increasing premiums due to rate increases accounted for all the increased cash flow. Premium income increased $94.0 million from $55.0 million in 1986 to $149.0 million in 1987. Income from investment income was down $1.8 million from $32.4 million in 1986 to $30.6 million in 1987. Investment income decreased because the investment yield declined. Expenditures amounted to $84.8 of which $58.5 million went for claim payments, $14.2 million went for loss adjustment expenses, and $12.1 million went for operating expenses. Corresponding 1986 figures are lower, claim payments $56.7 million, loss adjustment expense $12.7 million, operating expenses $6.9 million. For 1987, the $94.8 million positive cash flow does not take into consideration $3.0 million in net realized capital gains. The Massachusetts JUA was the only JUA, except for New York, to have realized capital gains of more than a few hundred thousand dollars. Realized capital gains are not reflected in this cash flow analysis because they are one-time occurrences and cannot be relied upon from year to year. For instance, net realized capital gains were $18.7 million in 1986 but only one-sixth that in 1987.

Statutory Reserves

The JUA reports $1.2 billion in loss and loss adjustment expense reserves as of year-end 1987. (See Exhibit 5). Of this amount, $832.5 million is for loss reserves and $334.4 million is for loss adjustment expense reserves. Loss reserves are up 13% from 1986, while loss adjustment expense reserves are also up 13%. The loss reserves are comprised of $350.7 million for pending claims and $481.8 million for IBNR claims. The JUA did not report the number of pending claims.

Discounted Reserves

The JUA did not supply information on its anticipated reserve runoff. It supplied only annual statement data. Past pending claim distribution was similar to that of Rhode Island. If the reserve runoff is similar to Rhode Island and assuming Massachusetts will continue to earn 7.85% on investments, the discounted reserve for the Massachusetts JUA would be $819.4 million. This amount is $430.0 million more than the current value of the invested assets. (See Exhibit 10).

If the above assumptions are not accurate, the shortage could be even larger. If the runoff pattern is shorter by one year, the shortage would increase to $494.3 million. If investments should earn only 7.0%, the shortage would be $443.1 million. If reserves are 20% inadequate, the shortage increases to $593.8 million. Taking all three modifications together, (claims paid one year sooner, 7.0% investment yield, and 20% reserve deficiency), the shortage would be $678.9 million or within $100 million of the statutory deficit. Thus, regardless of the reasonable assumptions used, current invested assets are hundreds of millions of dollars short of being able to pay current liabilities, even considering investment income.

Rate Filings

Prior to 1983, the JUA received 3 rate increases, 7.3% for 1977, 10% for 1980, and 9.1% for 1982. (See Exhibit 12B). For 1983, the JUA requested a 162% increase and received approval for 42%, which was appealed. Subsequently, the JUA refiled for a 188% increase for 1983 and also filed for a 41.6% increase for 1984. In June 1986, the JUA received approval for a 68.1% increase for 1983 and 10.9% for 1984. These increases are to be collected over a 5 year period which began in July 1987. The JUA filed for a 71.6% increase for 1985 and received approval for 23.6% in March 1987, also to be collected over a five year period. For 1986, the JUA requested a 10.3% increase and received approval for 8.7% in March 1987. Also in March 1987, the JUA received a 6.5% rate increase for 1987 rates after requesting 10.0%.

Conclusions

Even considering future investment income, the Massachusetts JUA has a deficit of at least $430.0 million and possibly much more. Sooner or later this unfunded liability will have to be paid. If the JUA is unable to raise this money from policyholders, the members of the JUA could be assessed millions of dollars. Whether rate increases can be implemented to allow insurers to recoup the assessments is yet to be determined.

Minnesota Medical Malpractice JUA

History

The Minnesota JUA was authorized in 1976 but was not activated until late in 1985. Members include all insurers authorized to write personal injury liability insurance in Minnesota. The JUA was established to provide coverage for all health care providers. While the JUA initially issued a few occurrence policies, only claims-made policies are currently issued. In 1987 the JUA wrote less than 1% of the medical malpractice insurance in the state based on premiums. (See Exhibit 1).

Funding and Deficit Provisions

Funds for the JUA come from (1) policyholder premiums, (2) the Stabilization Reserve Fund, and (3) member assessments. Funding for the Stabilization Reserve Fund comes from a surcharge on policyholder premiums. If the JUA has a deficit, the Stabilization Reserve Fund is to provide funds to cover it. If those funds are insufficient, members of the JUA can be assessed. Insurers may recoup any assessment by means of either a 2% surcharge on the annual premiums on future policies offering the kinds of coverage which provide the basis for the members' participation in the association, or through a premium tax offset.

Balance Sheet

At year-end 1987, the Minnesota JUA reports assets of $368,000 and liabilities of $588,000 for a deficit of $220,000. The Minnesota JUA is the smallest of all currently active JUAs.

Assets

Of the $368,000 in assets, $364,000 are invested. The JUA has not invested in any securities, rather $258,000 is held in cash. The remaining $106,000 in assets is from the Stabilization Reserve Fund.

Cash Flow

Cash flow in 1987 was a positive $250,000. (See Exhibit 3). Premium amounted to $219,000, investment income $9,000, and income from the Stabilization Reserve Fund $73,000. Expenditures were $51,000 all of which went for operating expenses. No claims or loss adjustment expenses were paid in 1987.

Statutory Reserves

Loss and loss adjustment expense reserves amounted $375,000. Loss adjustment expense reserves are included with the loss reserves and, therefore, no breakout of these components is available. Pending reserves amount to $252,000 while the IBNR reserve is $123,000.

Pending Claims

At year-end 1987, the Minnesota JUA had only two pending claims. One dates from to 1986 and the other is from 1987.

Reserve Development

No reserve development is possible since the JUA only has had two claims and neither one of them has been paid.

Rate Filings

Initial rates for the JUA were set slightly higher than those in the private market.

Conclusions

The Minnesota JUA has not been in existence long enough nor is it large enough to determine its financial condition. The JUA appears to be operating as a residual market given the low market share.

New Hampshire Medical Malpractice JUA

History

The New Hampshire Medical Malpractice JUA began operating October 1, 1975. Members include all liability insurers in New Hampshire. The JUA was established to provide coverage for physicians, hospitals, and other health care providers. Occurrence policies have been offered since the beginning and claims-made since 1986. In 1987, the JUA wrote an estimated 52.5% of the medical malpractice market based on premium volume. (See Exhibit 1). The market share was down slightly from 53.2% in 1986. The JUA underwrites almost all the medical doctors but few hospitals and other health care providers.

Funding and Deficit Provisions

Funding is provided from (1) policyholder premiums, (2) member assessments, and (3) policyholder surcharges, and (4) a Stabilization Reserve Fund.

Legislation, effective in 1986, altered the funding mechanism for covering JUA deficits. The legislation established two funding mechanisms, one for deficits from business written after January 1, 1986, and another for deficits on business written prior to January 1, 1986.

For deficits on business written after January 1, 1986, members will be assessed based on the percentage of premium they write in the state. The companies, however, may be reimbursed under one of two plans approved by the commissioner. One plan allows insurers to surcharge all health care providers up to a maximum of 100% of their premium for each policy year. In the event the assessment is greater than $10,000, the payment may be applied over a period of up to three years. The second option would allow insurers to surcharge future liability insurance policies which form the basis of the member's participation in the JUA provided that the surcharge does not exceed 3% of the premium per year. When the Insurance Commissioner attempted to implement the second option in 1987, a lawsuit was brought challenging implementation. The issue is currently under litigation.

A Stabilization Reserve Fund is created for deficits prior to January 1, 1986. Initial funding for the Stabilization Reserve Fund comes from a surcharge of 15% on the annual gross premium charged for primary medical liability coverage. If the Stabilization Reserve Fund reserve is not sufficient to cover the deficit, the commissioner shall impose a surcharge not to exceed 2% of the annual premium on policies issued or delivered in the state for the lines of business which form the basis for the insurer's participation in the JUA. As of year-end 1987 the Stabilization Reserve Fund had $1.3 million.

Balance Sheet

As of year-end 1987, the JUA reported assets of $44.6 million including $1.3 million from the Stabilization Reserve Fund, liabilities of $72.8 million with a resulting deficit of $28.2 million. (See Exhibit 2). The deficit is comprised of $26.7 million for policies issued prior to January 1, 1986 and $1.5 million for policies issued after January 1, 1986. Assets are up $9.4 million from 1986. Liabilities are up $11.0 million compared to 1986 resulting in the deficit increasing $1.6 million from 1986.

Assets

Of the $44.6 million in assets, the JUA invested $41.2 million. (See Exhibit 3). The investments include $32.5 million in bonds and $6.5 million in short-term investments. The average maturity for bonds is 5.0 years. The remaining $2.1 million is held in cash. Of the $3.4 million not invested, $1.4 million is in premium balances, $1.3 million from the Stabilization Reserve Fund and $.7 million in other non-invested assets. An embedded yield figure was not provided but the average yield on invested assets is 7.3%.

Cash Flow

In 1987, the cash flow was a positive $8.4 million (Exhibit 4) up from $6.9 million in 1986. Total income amounted to $18.7 million with $15.5 million from premiums and $3.0 million from investment income and $0.2 million from other sources. Total expenditures were $10.3 million of which $9.2 million went for claim payments and loss adjustment expense payments and $1.2 million went for operating expenses. The $3.7 million increase in income more than offsets the $2.2 in claim payments and loss adjustment expense payments resulting in the $1.5 million increase in cash flow.

Statutory Reserves

Of the $72.8 million in liabilities, $62.3 million is for loss and loss adjustment expense reserves. (See Exhibit 5). The JUA only provided pending and IBNR loss and loss adjustment expense reserves combined. The reserves are up 16% from the $53.8 million at year-end 1986. The average pending claim (including loss adjustment expenses) is $43,000.

Pending Claims

At year-end 1987, the New Hampshire JUA had 338 pending claims (Exhibit 6) up 3% from the 329 pending at year-end 1986. These claims are for all policy years going back to 1977 and prior, where twelve claims are still pending. The largest number of claims - 58 - are pending from 1987 and reflect the 1986 introduction of claims-made policies.

Reserve Development

Due to incomplete records, the JUA does not have complete information allowing for a comparison of all the initial accident-year reserves to the current estimate of those accident-year reserves. The records do allow a comparison for the years 1981 to 1986 as of year-end 1987. (See Exhibit 7B). For accident-years 1981 and 1982, the reserves now appear to have been inadequate. The 1983, 1984, 1985, and 1986 accident-year reserves now appear to have been more than adequate.

During 1987, the JUA increased by $2.5 million its estimate of how much was expected to be paid for all prior accident-years. For accident-year 1982, the ultimate expected payout was increased by $3.6 million. For accident-years prior to 1982, the ultimate payout was revised upward by $2.0 million in total. These increases were partially offset by reducing the ultimate expected payout by $3.1 million for accident years subsequent to 1982.

Claim Payout

The amount of time to pay one-half the ultimate incurred losses is 5.2 years. (See Exhibit 8). This is up from 4.6 years last year. In 1986, the JUA extended its estimate of how long it will take to ultimately pay all claims for any one accident-year from 15 to 20 years. This change didn't materially affect the time to pay one-half the ultimate incurred loss. In 1987, the JUA changed when it expected to pay the claims resulting in the time change. (See Exhibit 9B).

Discounted Reserves

Of primary importance to the financial stability of the JUA is whether the current invested assets and Stabilization Reserve Fund of $42.5 million along with the investment income they will generate are sufficient to meet the estimated $62.3 million in claim payments and loss adjustment expenses expected to be made in the future. Assuming (1) current reserves are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn at their current rate, and (4) full value will be received for invested assets if they are sold, $43.2 million would be needed to be set aside in order to make those payments. (See Exhibit 10). With only $42.5 million in available funds, the JUA appears to be $0.7 million short of covering those payments. Without using future premiums, the current available funds could be depleted by 2003. (See Exhibit 11). At that time there would be approximately $2.3 million in subsequent payments for which no funds would be available. As long as cash flow remains positive, however, the JUA will be able to meet its obligation.

The $0.7 million shortage would be greater if reserves prove to be inadequate or claims are settled sooner than expected. If the reserves are inadequate by 20%, the shortage would be $9.4 million. The impact of paying claims on average 1 year sooner increases the shortage to $3.9 million. Both of these changes together would increase the shortage to $13.2 million.

Rate Filings

Since inception, the JUA has filed for several rate increases and has received timely approval in every case except for 1986. (See Exhibit 12C). Rates have grown substantially for all insureds since 1980. For physicians and surgeons, rates increased 45% for 1980, 50% for 1981, 70% for 1982, 30% for 1983, with a more moderate increase for 1984. For 1986, the JUA filed for a 9.6% increase, but the request was refused. For 1987, 12.2% was filed and approved.

Conclusions

With partial success in recent actions taken to address deficit problems and considering future investment income the JUA has reduced its deficit to less than $1.0 million. Recent adverse reserve development for early years, however, could indicate additional problems that could substantially increase the deficit. If the JUA is ultimately successful in its efforts to reduce the deficit on policies written prior to 1986 through assessments, insurers may not be responsible for that deficit.

New York Medical Malpractice JUA

History

The New York Medical Malpractice JUA was activated June 18, 1975. Members include all insurers writing personal liability and multi-peril policies. The JUA offers occurrence coverage and since 1986 claims-made coverage to physicians and hospitals. The JUA wrote 14.3% of the medical malpractice premiums in the state in 1987 (Exhibit 1), which is down from the 21.6% share in 1986. The decrease does not indicate a depopulation of the JUA, but reflects an artificially higher 1986 market share due to premiums collected in 1986 from rate increases for earlier years.

Funding and Deficit Provisions

Three sources provide funds: (1) policyholder premiums, (2) Stabilization Reserve Fund, and (3) member assessments. The Stabilization Reserve Fund is financed by a 20% surcharge on the insured's medical malpractice premiums. If the JUA sustains a deficit, the Stabilization Reserve Fund is to cover the deficit. If a deficit exists after consideration of the Stabilization Reserve Fund contribution, JUA members can be assessed in proportion to their premiums. The assessment can be subsequently recouped from the Stabilization Reserve Fund if those funds are replenished.

Balance Sheet

As of year-end 1987, the New York JUA Annual Statement balance sheet shows assets, including Stabilization Reserve Fund assets, of $573.3 million and liabilities of $1,350.5 million for a deficit of $777.2 million. (See Exhibit 2). The deficit increased almost $270 million because assets increased only $45 million, while liabilities increased almost $315 million. The increase in liabilities is due to the addition of loss reserves and loss adjustment expense reserves for accident-year 1986. The deficit increase would have been even larger if loss reserves and loss adjustment expense reserves for accident-years 1975 through 1985 had not been reduced by over $90 million in 1986. (See Reserve Development below.)

Assets

Of the total assets, $448.4 million is invested. (See Exhibit 3). Bonds constitute the largest investment, $331.2 million, of which $218.8 million is invested in government bonds and $112.4 in non-government bonds. All but $21.3 million of the non-government bonds are rated A or better by Moody. The embedded yield dropped from 8.5% in 1986 to 8.4% in 1987. The average term to maturity of all bonds is 13.8 years. Short-term investments amount to $114.5 million, while $2.7 million is held in cash. Non-invested assets amount to $124.9 million of which $118.7 million is in premium balances. Almost all of this amount is for excess limits coverage provided, but for which no premium was received by the JUA before year-end 1987. Collecting the premium was slow during 1987, and a substantial amount was still outstanding late in 1987. Of the remaining non-invested assets, most is in interest income due and accrued.

Cash Flow

Cash flow in 1987 was a positive $71.7 million (Exhibit 4), more than double the $30.5 million from 1986. Premium income was up $45.1 million from $16.0 million in 1986 due to collecting a large amount of the uncollected premium at year-end 1986. Investment income was down $1.3 million from $34.6 million in 1986 to $33.3. Other income dropped from $8.5 million in 1986 to $2.5 million in 1987. The survey did not request any description of other income. Total cash income, excluding capital gains, was $96.9 million. Expenditures amounted to $25.2 million, down from $28.7 million in 1986. Paid claims amounted to $13.8 million, down from $15.0 million in 1986, with loss adjustment expenses of $9.2 million, up from $7.9 million in 1986. Other expenses were down from $5.8 million in 1986 to $2.1 million in 1986.

Statutory Reserves

As of year-end 1987, the JUA reported loss and loss adjustment expense reserves of

$1,268.8 million (Exhibit 5), a 35% increase over 1986. Of this amount, $973.6 million is for loss reserves (up 33% from 1986), and $295.2 million is for loss adjustment expenses (up 39% from 1986). The loss reserve is comprised of $190.4 million for pending claims, which is down slightly from the $199.3 million at year-end 1986. All of the loss reserve increase is in IBNR which increased from $530.5 million in 1986 to $783.1 million in 1987.

Pending Claims

The 2,092 pending claims are down slightly from the 2,144 at year-end 1986. The average reserve value of $91,000 is down slightly from the $93,000 at year-end 1986. More than half of the pending claims are for losses which occurred in 1981 and prior. (See Exhibit 6). The large number of pending claims for the earlier years indicates that it takes a longer time to settle cases in New York than in other states.

Reserve Development

The loss reserves for accident-year 1986 were reduced $64.4 million in 1988. (See Exhibit 7D). An additional $28.6 million was removed from accident-years 1976 to 1983. The loss reserves for accident-years 1977 and 1984 were each increased almost $1 million. In total, the estimated ultimate incurred losses for claims arising in 1986 and prior were reduced $92.0 million in 1986.

Despite the large reduction in loss reserves, the original reserves for accident-years 1975 to 1981 are still thought to have been grossly inadequate. In the first half year of operation in 1975, the original reserve was estimated to be $8.1 million, and today it appears that it should have been set at $19.2 million. Between 1976 and 1981 the original accident-year reserves ranged from a low of $13.6 million in 1977 to a high of $49.1 million in 1981. It now looks as if all of those reserves should have been set somewhere between $48 million and $70 million. For the more recent accident-years, 1982 to 1985, reserves are estimated to have been inadequate in two out of four years. The reserve pattern for 1983, 1984, and 1985 is unusual, in that on a developed basis, they are $62.1, $36.6, and $126.4 million, respectively. The large increase in the 1985 accident-year reserve is due to excess liability coverage. The 1986 accident-year reserve was originally set at $410.5 million and was reduced to $346.0 million at year-end 1987.

Claim Payout

New York medical malpractice claims continue to have the longest anticipated runoff period. (See Exhibit 8). In 1987, the amount of time to pay one-half the claim payments is up slightly from 8.8 years in 1986 to 9.0 years in 1987. By comparison, after nine years over 80% of the claim payments are expected to have been made in Florida, South Carolina and Texas. For more recent years the time to pay one-half of the claim payments is more than 9 years. (See Exhibit 9C).

Discounted Reserves

With only $448.4 million in invested assets and outstanding claims of $1,268.8 million, it would appear that the New York JUA does not have sufficient funds to meet these payments. The long time it takes for New York claims to runoff, however, provides a considerable length of time in which to earn investment income. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) the invested assets will continue to earn at their current embedded yield, and (4) asset maturity will match liabilities, the present value of those future payments is $693.3 million. (See Exhibit 10). This is $244.8 million more than the invested assets. Using the above assumptions, the invested assets can be expected to be depleted sometime during the year 1995 leaving a total of $640.0 million left to be paid. (See Exhibit 11). This is a substantial deterioration from year-end 1986 when the discounted reserve was $132.5 million more than invested assets and the amount of unpaid liability in 1986 was $377.2 million. The deterioration is due to the increased liabilities in 1987. As long as cash flow remains positive, however, the JUA will be able to meet its obligations.

The $244.8 million shortage would be even higher if critical assumptions prove to be optimistic. In the past two years the embedded yield dropped almost three points. If the yield should drop to an average of 7.0% over the runoff period, the shortage increases to $309.4 million. If claims were to be paid on average one year sooner, the shortage increases to $303.2 million. Despite apparent recent indications of more than adequate reserves for earlier accident-years, if reserves prove to be inadequate by 20%, the shortage increases to $383.5 million. If all three happen, the shortage increases to $524.6 or more than twice the above estimate of $244.8 million.

Rate Filings

For 1986, a 135% rate increase was requested, and a 9% rate increase approved. The JUA brought suit against the New York Insurance Department challenging the level of the rate increase approved. The court ruled against the Department saying the JUA was entitled to an actuarially sound rate. At the time of this writing the amount of the rate increase is undecided. Also pending is a 111.5% rate increase which the commission has approved for 9%. This approval is also being challenged.

The rate filing for 1986 was not the first to be disapproved by the Department. The New York JUA has had an extremely difficult time receiving approval for requested rate increases. (See Exhibit 12C). No requested rate increase has ever been approved. During the period 1977 to 1985, the JUA has requested a rate increase for each year. For 1977, a 90% rate increase was requested, and a 15.5% rate increase was approved.

Rate increases for 1978 through 1980 of 98%, 104%, and 186%, respectively, were all disapproved. For 1981, a 210% rate increase was requested, and a 58.5% rate increase was approved. For 1982, a 243% rate increase was requested, and a 15% rate increase was granted. For 1983, a 180% rate increase was requested, and a 83.3% increase was approved but not until January of 1985. For 1984, a 62% rate increase was requested, and a 52.3% increase was approved in January 1985. Action on the 1985 rate increase of 128% was not finalized until July 1986 when a 14% rate increase was approved.

Conclusions

For the New York JUA, current invested assets are hundreds of millions of dollars short of paying loss and loss adjustment expense liabilities even considering future investment income. The deficiency is growing rapidly because liabilities are being added at $400 million per year but written premiums are only $100 million and investment income is $70 million per year.

Pennsylvania Medical Malpractice JUA

History

The Pennsylvania JUA became operational January 13, 1976. Members include all casualty insurers. The JUA offers only occurrence coverage to health care providers as defined in the statutes. The Pennsylvania JUA market is 3.4% based on premium volume (Exhibit 1), the same as in 1986.

Funding and Deficit Provisions

Funding for the JUA comes from two sources, policyholder premiums and a catastrophe fund. The catastrophe fund is financed through premium surcharges on all health care providers. If the JUA incurs a deficit, the catastrophe fund or a rate increase is intended to cover the deficit. If the catastrophe fund is unable to cover a JUA deficit, a premium surcharge is to be applied to all health care providers.

Balance Sheet

At year-end 1987, the Pennsylvania JUA reports assets of $57.9 million and liabilities of $54.9 million for a surplus of $3.0 million. (See Exhibit 2). Assets are up $4.4 million from 1986, while liabilities are up $2.0 million thus increasing last year's surplus of $0.7 million.

Assets

Of the $57.9 million in assets $56.8 million are invested. (See Exhibit 3). Bond holdings total $49.6 million with an average term of 8.0 years. Short-term investments total $6.7 million. The balance, $0.5 million, is held in cash. Of the $1.2 million not invested, $1.1 million is in interest income due and accrued. The average yield on invested assets is 7.1% in 1987.

Cash Flow

Cash flow for the JUA was a positive $4.2 million in 1987 (Exhibit 3), up from $3.5 million in 1986. The $12.4 million in income came from $8.3 million in premiums ($7.5 million in 1986) and $4.0 million in investment income ($4.2 million in 1986). Expenditures of $8.2 million (same as in 1986) included $4.9 million for claim payments, $2.6 million for loss adjustment expenses, and $0.7 million for operating expenses. Corresponding figures for 1986 are $4.8 million for claims, $2.5 million for loss adjustment expenses, and $0.9 million for operating expenses.

Statutory Reserves

Loss and loss adjustment expense reserves rose slightly from $49.2 million at year-end 1986 to $51.7 million at year-end 1987. Loss reserves increased 4% to $38.0 million while loss adjustment expense reserves increased 4% to $13.6 million. The loss reserves are comprised of $16.6 million for pending claims, up $0.3 million from 1986, and $21.4 million for IBNR, up $1.2 million from 1986. The pending claims had an average value of $26,600.

Pending Claims

Pending claims distribution by accident-year is typical of occurrence coverage with more than half of the 623 claims pending from 1983 and earlier years. (See Exhibit 6).

Discounted Reserves

Unique among JUAs, the Pennsylvania JUA discounts loss reserves. As of year-end 1987, the reserves were discounted at an interest rate of 6%. This would seem to be a conservative interest rate given the 7.1% yield on the $56.8 million in invested assets.

Invested assets, however, are only $5.1 million more than the discounted claim reserves. If reserves should prove to be 10% inadequate, the excess disappears. If reserves should prove to be 20% inadequate, the excess becomes a $5.2 million shortage.

Conclusions

The Pennsylvania JUA has sufficient assets to meet its obligations based on conservatively discounted reserves. If reserves are understated by as little as 10%, the JUA will not have sufficient funds to meet its liabilities. The present JUA funding mechanism does not include assessing insurers.

Rhode Island Medical Malpractice JUA

History

The Rhode Island Medical Malpractice JUA was activated April 9, 1976. Members include all personal injury liability insurers including those insurers providing multi-peril policies. The JUA was established to provide insurance to physicians, hospitals, and other health care providers. Both occurrence and claims-made coverage is offered but all individual health care providers have chosen occurrence coverage. During 1987, the JUA's market share was 75.1% based on premiums, the second largest share of any medical malpractice JUA. (See Exhibit 1). The market share was 82.6% share in 1986.

Funding and Deficit Provisions

Funding for the JUA is from (1) policyholder premium, (2) Stabilization Reserve Fund, and (3) member assessments. The Stabilization Reserve Fund is financed by policyholder contributions determined by the director. If the JUA has a deficit, the Stabilization Reserve Fund is to provide funds to cover it. At year-end 1987 the Stabilization Reserve Fund amounted to $8.6 million. If a deficit exists after the Stabilization Reserve Fund contribution, insurers can be assessed. Individual insurer assessments will be based on the percentage of direct premiums for several lines of business as they relate to the aggregate writings in Rhode Island for all members writing those lines of business. Insurers may recoup the assessment by means of a surcharge, not to exceed 1%, on the annual premiums of future personal injury policies. Insurers may also recoup assessments through a premium tax offset.

Balance Sheet

As of year-end 1987, the Rhode Island Medical Malpractice JUA annual statement balance sheet reports assets of $86.1 million and liabilities of $246.1 million for a deficit of $160.0 million. (See Exhibit 2). Assets and liabilities are up almost the same amount, $17.6 million and $18.3 million respectively, resulting in a $0.7 million increase in the deficit.

Assets

Invested assets amount to $79.3 million of which $67.5 million is in bonds. (See Exhibit 3). All the bonds are in government securities. All the bonds were purchased in the past four years with an average term of 5.2 years. The average yield on invested assets is 7.6%. Other invested assets include $3.3 million held in cash and $8.5 million in other unspecified assets. Of the $6.8 million in non-invested assets, $5.1 is premium balances, and $1.7 million is interest income due and accrued.

Cash Flow

Although a large deficit exists, cash flow was a positive $15.7 million in 1987. (See Exhibit 4). Premium is up 35% from $19.1 million in 1986 to $25.1 million in 1987. Investment income is up $0.6 million to $6.1 million. Total cash income is up $7.2 million. Paid claims were up 48% from $7.5 million in 1986 to $11.1 million in 1987. Loss adjustment expense increased from $1.0 million to $3.3 million. Operating expenses in 1987 are up $0.5 million to $1.7 million.

Statutory Reserves

As of year-end 1987, the JUA reports loss and loss adjustment expense reserves of $228.6 million (Exhibit 5), up almost $14 million from 1986. Loss reserves account for the entire increase being up $14.4 million from 1986 to $208.2 million. Most of the loss reserve increase is in IBNR which increased almost $13 million to $156.8 million. Pending loss reserves are up $1.6 million. Loss adjustment expense reserves are down $0.6 million to $20.4 million. The average pending claim value is almost $42,000.

Pending Claims

The 1,231 pending claims have the typical distribution expected for occurrence coverage. Over half are for accident-years 1983 and prior. (See Exhibit 6). Forty claims are still pending from the first two years the JUA existed.

Reserve Development

Existing records allow comparing the original reserves with current estimates only for accident-years 1980 through 1987.

In 1987, the ultimate expected incurred losses for accident-years 1980 through 1986 were reduced $12.1 million or almost 7% from year-end 1986. (See Exhibit 7D). Combined with the reduction in 1986, the originally established reserves for accident-year 1984 and 1985 are now thought to have been overstated by 20%-25%. The accident-year 1986 reserve is now thought to have been overstated by $9.3 million. For accident-years 1980 through 1983, however, the originally established reserves are still thought to have been substantially understated.

Claim Payout

Rhode Island has the second longest estimated time to pay one-half of the incurred claims, 5.5 years (Exhibit 8), which is the same as in 1986. For the years with the most experience, 1976-1978, the average ranges from 6.8 to 7.9 years. (See Exhibit 9D). For subsequent years, the range is from 3.6 years in 1980 to 5.8 years in 1983.

Discounted Reserves

With loss and loss adjustment expense reserves of $228.6 million and invested assets of only $79.3 million and a Stabilization Reserve of $8.6 million, the JUA does not have sufficient assets to pay those claims even after consideration of investment income. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn their embedded yield, and (4) the full value of the assets will be realized if they are sold before maturity, the JUA needs at least $161.8 million to meet those payments or $74.0 million more than it has. (See Exhibit 10). If future premiums are not used to meet those payments, the current invested assets could be depleted sometime in 1991 leaving $118.5 million to be paid. (See Exhibit 11). As long as cash flow remains positive, however, the JUA will be able to meet its obligations.

The JUA's financial condition could worsen if the critical assumptions are optimistic. For instance, if reserves should prove to be understated by 20%, the shortage increases to $106.4 million. If the investment yield should drop to an average of 7.0%, the shortage increases to $78.1 million. The combined impact of these changes would be to increase the shortage to $111.3 million.

Rate Filings

Historically, the JUA has had difficulty in obtaining rate increases. (See Exhibit 12D). For 1978, a 34.1% rate increase was requested, but no hearing was held, and the rate increase was not approved. The only year for which the requested rate increase was approved was 1979. For 1980, a 25.3% rate increase was requested but later withdrawn. For each of the subsequent years, rate increases were requested and the JUA usually received one-half or less of the amount requested. For 1986 a 91.4% increase was requested but only a 36.1% increase was approved but not until July 1, 1987. On the same date a 5.6% increase was approved for 1987 basic limits coverage although 78% was requested.

Conclusions

The Rhode Island JUA is in serious financial trouble. While premium income and investment income amount to approximately $33.5 million last year, liabilities are being added at a rate of more than $40 million a year. The deficit didn't increase in 1987 because of reserve redundancies, but can be expected to increase in the future. The Stabilization Reserve Fund will be able to supply only $8.6 million to offset the JUA's deficit. Whether insurers will be able to recoup any assessments remains to be seen.

South Carolina Medical Malpractice JUA

History

The South Carolina Medical Malpractice JUA became operational June 30, 1975. Members include all insurers writing bodily injury liability insurance including multi-peril policies but excluding automobile liability insurers. The JUA provides occurrence coverage for physicians, hospitals, and other health care providers. The JUA market share was 53.7%, in 1987. (See Exhibit 1). The market share is up slightly from 47.0% in 1986.

Funding and Deficit Provisions

Funding is provided from (1) policyholder premiums and fees, (2) policyholder assessments, and (3) member assessments. If a deficit occurs, JUA policyholders can be assessed up to one annual premium or the deficit may be funded through prospective rate increases. If these measures do not raise sufficient funds, member insurers are responsible for the remaining deficit.

Balance Sheet

As of fiscal year ending June 30, 1987, the South Carolina JUA reports assets of $25.3 million and liabilities of $42.4 million for a deficit of $17.4 million. (See Exhibit 2). Assets are up 28% from $19.8 million while liabilities are up only 6% from $40.1 million resulting in the deficit decreasing 14% from $20.1 million.

Assets

Invested assets amount to $24.9 million with $22.5 million in government bonds. (See Exhibit 3). At fiscal year-end 1987, the bonds had an embedded yield of 7.9% which is down from 10.6% a year earlier. Average bond maturity is 1.6 years. Of the remaining invested assets, $2.2 million, were in short-term investments and $0.1 million held in cash. The $0.4 million in non-invested assets is not specified as to source.

Cash Flow

The JUA had a $5.8 million positive cash flow in fiscal year ending June 30, 1987. (See Exhibit 4). Total income was $12.5 million up $3.4 million from 1986. Premiums accounted for $10.6 million, up almost 50% from 1986. Investment income was down slightly from $2.0 million to $1.9 million. Expenditures included $3.6 million for paid claims ($5.4 million in 1986), $2.1 million for loss adjustment expenses (same as in 1986), and $1.0 million for operating expenses (same as in 1986).

Statutory Reserves

For the fiscal year ending June 30, 1987, the JUA reports loss and loss adjustment expense reserves of $36.1 million up from $34.6 million in 1986. (See Exhibit 5). Of this amount, $26.8 is for loss reserves and $9.3 for loss adjustment expenses, both are up 4% from 1986. The loss reserves are comprised of $8.6 million for pending claims and $18.1 million for IBNR. The average pending claim value is $14,473, the lowest of all JUAs.

Pending Claims

The 596 pending claims are up 10% from 1986. The pending claims distribution is typical of occurrence coverage with half the claims from 1984 and prior.

Reserve Development

The JUA provided reserve developments as of fiscal year ending June 30, 1988 which provides a look at the most recent estimate of accident-year 1987 reserve as well as all other accident-years. (See Exhibit 7E). Up until 1984, the initial fiscal accident-year reserves have been found to have been inadequate except for 1977. For fiscal-years ending since 1984, the original reserves as of June 1988 appear to have been more than adequate. For each fiscal accident-year ending in 1985 to 1987, the reserves have been reduced approximately 20%.

Claim Payout

The South Carolina JUA has the second shortest anticipated runoff period for occurrence policies. The JUA expects half of the incurred claims to be paid within 3.4 years. (See Exhibit 8). This average expected period has been quite consistent over the existence of the JUA. (See Exhibit 9E).

Discounted Reserves

Based on statutory results, the invested assets are slightly more than one-half of the loss and loss adjustment expense reserves. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, and (3) current invested assets will continue to earn their embedded yield, the present value of those future payments is $29.8 million. (See Exhibit 10). Even after consideration of investment income, therefore, invested assets are $4.8 million less than the amount needed to cover all future payments. Considering the reserve redundancy developed since the reserves were established in June 1987, the $4.8 million deficiency may be only $2.0 to $2.5 million. Using the same assumptions and assuming no additional income to cover those claims, existing invested assets would be depleted in 1992 leaving approximately $7.5 million in claim payments yet to be made. (See Exhibit 11). As long as cash flow remains positive, however, the JUA will be able to meet its obligations.

The JUA financial condition could worsen if the critical assumptions are optimistic. For instance, if reserves should prove to be underestimated by 20%, the shortage increases to $10.7 million. If the investment yield should drop to an average of 7.0%, the shortage increases to $5.5 million. The combined impact of these two changes would increase the shortage to $11.5 million.

Rate Filings

The South Carolina JUA has always received requested rate increases. Rate increases for physicians amounted to 50% for 1977, 40% for 1981, and 25% for 1983, 1985, and 1986. Hospital increases amounted to 133% for 1978, 20% for 1983, 40% for 1985, and 45% for 1986. In 1987, no filing was made after reviewing the experience.

Conclusions

The JUA's current assets, even considering investment income, are insufficient to cover current claim liabilities. This deficit, however, can be covered by assessing current policyholders. Claim reserves would have to be 20% or more deficient before insurers would be assessed.

Texas Medical Malpractice JUA

History

The Texas Medical Malpractice JUA began operations September 8, 1975. Membership includes all liability insurers except farm and county mutuals. The JUA is authorized to offer occurrence coverage to any health care provider or physician included in one of the categories eligible for coverage as determined by the State Board. In 1987, the JUA covered physicians, surgeons, dentists, and hospitals and wrote 9.9% of all medical malpractice insurance in the state. (See Exhibit 1). The market share is down from the 13.2% in 1986.

Funding and Deficit Provisions

Funding for the JUA comes from (1) policyholder premiums, (2) Stabilization Reserve Fund, (3) policyholder assessments, and (4) member assessments. Funding for the Stabilization Reserve Fund comes from a surcharge on JUA policyholder premiums. If a deficit occurs in the JUA, an assessment against JUA policyholders insured anytime in the last two years can be made and is limited to 100% of the current annual premium. If the policyholder assessment does not raise sufficient funds to cover the JUA deficit, assessments can also be levied against insurers based on their premium writings with a maximum assessment of 1% of surplus. This is the only JUA to have assessed insurers. Insurer assessments were made in 1985 and 1986. For 1987, policyholders were assessed but not insurers.

Balance Sheet

As of year-end 1987, the Texas JUA balance sheet showed assets of $126.0 million, up from $100.9 million in 1986, and liabilities of $126.0 million for a zero surplus. (See Exhibit 2). The JUA changed its accounting procedures in 1987 to record as a receivable any deficit incurred during the year. As noted above, the JUA assesses and collects funds whenever it has a deficit.

Assets

The JUA invested $105.9 million of is assets. (See Exhibit 3). Government bonds of $100.9 million comprised the largest component of the assets. The embedded yield on the bonds is 8.2%, down from 9.0% in 1986, with an average term of 1.9 years. Short-term investments total $3.4 million and additional $1.6 million is held in cash. Of the remaining $20.0 million in assets, $1.6 million is in premium balances, with the balance in money due from assessments and accrued interest.

Cash Flow

In 1987, cash flow is a positive $3.9 million. (See Exhibit 4). Premium is $18.0 million, up $0.7 million from 1986. Investment income is $7.4 million, up $0.7 million from 1986. Total income is $25.4 million, up $1.4 million from 1986. Total expenditures are $21.5 million, up $7.1 million from $14.4 million in 1986. Expenditures for claim payments are $15.7 million, almost double the $8.0 million in 1986. Loss adjustment expenses are also almost double 1986 at $2.4 million. Expenses are $3.4 million in 1987.

Statutory Reserves

As of year-end 1987, the JUA reports $102.4 million in loss and loss adjustment expenses. (See Exhibit 5). This amount is $10.3 million higher than in 1986. The loss reserve is $79.0 million, up $7.9 million, while the loss adjustment expense reserve is $23.4 million, up $2.4 million. The loss reserve is comprised of $25.7 million for pending claims and $53.3 million for IBNR. The average reserve is $35,439, up 10% from 1986.

Pending Claims

The 724 pending claims at year-end 1987 (Exhibit 6) are 92 higher than the 682 at year-end 1986 seems to indicate claims are reported sooner or possibly settle faster in Texas than in other states. Only about 25% of all pending claims are for accident-years prior to 1984. In most other states offering occurrence policies, 50% of the pending claims are for these accident years.

Reserve Development

For most years, the initial accident-year reserves proved to be inadequate. (See Exhibit 7G) For the early years, 1976 and 1977, the JUA now estimates that the initial reserves were slightly more than adequate. For accident-years 1979 through 1984, the initial accident-year reserves have been inadequate. The inadequacies range from $2.5 million in 1984 to $7.3 million in 1980. In 1980, the initial accident-year reserve was $3.7 million, while $11.0 million is the current estimate of that reserve. The JUA has not changed its estimate for accident-years 1985 and 1986.

During 1987, the JUA increased its reserves for prior accident years. Reserves were increased about $2.0 million each for accident-year 1981 and 1982.

Claim Payout

In Texas, the length of time to pay one-half of the ultimate incurred losses is 4.5 years (Exhibit 8), down slightly from 1986. The length of time appears to be shortening somewhat. (See Exhibit 9F). For the years 1977-1979 the length was 5.6 to 6.4 years. For more recent years, 1980-1987, it ranges from 3.8 to 4.5 years.

Discounted Reserves

Based on the statutory results, liabilities are set to equal assets. If the reserve is discounted assuming (1) the current accident-year reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn at their current rate, and (4) full value of the invested assets will be obtained if they have to be sold before maturity, the present value of those future payments is $78.8 million. The discounted reserve is $27.1 million less than current invested assets. (See Exhibit 10).

The current invested assets along with future investment income from those assets appear to be sufficient to pay all current liabilities. Unlike the other JUAs, the excess, $27.1 million, provides a cushion if any of the four assumptions above prove to be incorrect. For instance, if reserves prove to be 20% deficient, the excess is reduced but it is still a positive $11.7 million. If the investment yield drops to 7.0%, the excess drops to $24.4 million. If claims develop faster and are paid on average one year sooner, the excess drops to $20.7 million. If all three happen, the excess is almost entirely eliminated but is still a positive $1.3 million.

Rate Filings

Except for 1981 and 1986, the JUA has always received the approval for the rate increase requested. (See Exhibit 12F). Since its inception the JUA has filed for several rate increases. The first was a 50% increase in hospital rates for 1981. This rate increase was disapproved. For 1983, the JUA filed a 263% rate increase for dentists and oral surgeons, and this rate increase was approved. For 1985, the JUA filed two rate increases (1) 50% for physicians, surgeons, hospitals, other institutions, and (2) 50% for podiatrists. Both were approved. For 1986, it filed a 156.3% increase for physicians and other non-institutional healthcare providers and a 161.9% increase for hospitals and other institutional healthcare providers. For physicians, a 104.7% increase was approved, and a 109.9% increase was approved for hospitals. For 1987, rate increase of 29.8% for physicians and 12.9% for hospitals were requested and approved.

Conclusions

The Texas JUA appears to be in sound financial condition when future investment income is considered. If claim reserves prove as much as 20% inadequate, investment yields fall, or claims are paid sooner than expected, the JUA would probably have sufficient funds to meet its obligations. The fact that the JUA assesses insurers when a statutory deficit occurs should prevent huge deficits from accumulating as they have done in other JUAs.

Virginia Medical Malpractice JUA

History

The Virginia JUA became operational September 9, 1986. Each licensed insurer writing liability insurance within the state is a member of the association except those insurers exempted by regulation. The JUA offers claims-made coverage to physicians and surgeons. In 1988, the Commission expanded the JUA to include nurse practitioners, nurse anesthetists, and nurse midwives. However, as of June 1988 the JUA has not written coverage for any class of providers other than physicians and surgeons. In 1987 the JUA wrote 2.8% of the medical malpractice market based on premium volume. (See Exhibit 1).

Funding and Deficit Provisions

Funding is provided from (1) policyholder premiums, (2) Stabilization Reserve Fund surcharges, and (3) member assessments. If a deficit occurs, the deficit is first recovered from the Stabilization Reserve Fund. If the Stabilization Reserve Fund is exhausted, the association can assess members as approved by the state corporation commission. The liability of the policyholder is limited to the funds accruing in the Stabilization Reserve Fund.

Balance Sheet

As of year end 1987, the Virginia JUA reports assets of $3.5 million and liabilities of $2.6 million, with a surplus of $0.9 million represented principally by the Stabilization Reserve Fund. (See Exhibit 2).

Assets

The JUA invests $3.3 million of the $3.5 million of assets. (See Exhibit 3). The investments include $1.3 million in bonds with an an average maturity of 2.7 years. The balance of investments, $1.9 million, is held in cash. The $0.2 million in non-invested assets is almost entirely from premium balances. The embedded yield of the bonds is 7.8%.

Cash Flow

In 1987, the cash flow was a positive $1.9 million. Income of $2.5 million was offset by $0.6 million in expenditures. Almost all of the income was from $2.4 million in premium. Loss adjustment expenses at $463,000 was the largest expenditure followed by $64,000 in other expenses and $64,000 in paid claims. Even with claims-made policies, the low paid claims in the first full year of operation is to be expected.

Statutory Reserves

At the completion of its first full year of operation, the JUA reports $1.0 million in loss and loss adjustment expense reserves. (See Exhibit 5). Approximately two-thirds of the reserves are for claim payments and the remaining one-third for loss adjustment expenses. The pending reserve amounts to $3,500 for one claim with the balance being IBNR reserves.

Pending Claims

As of year-end 1987 only one claim was pending. (See Exhibit 6).

Reserve Development

Given that the JUA has only been in operation for a little over a year, there has been no time for reserve developments.

Claim Payout

The Virginia JUA uses a claim payout pattern recommended by its consulting actuaries because it does not have its own experience. The JUA expects to pay one-half of its incurred liability on any accident-year within two years of the close of the accident-year. (See Exhibit 8).

Discounted Reserves

Given the expected rapid runoff on claims, the JUA will not have much time to generate investment income. Discounting the reserves based on the rapid runoff and the current embedded yield results in discounted reserve of $0.9 million. This is only $0.1 million less than the current reserves.

Rate Filings

Initial Virginia JUA rate level was established at 5% higher than the medical malpractice rates charged by the largest commercial carrier.

Conclusions

No conclusions can be drawn regarding the financial condition of the Virginia JUA since it has only been in operation for a little over a year. In its initial year the JUA appears to be operating as a residual market given the low market share. The JUA also appears to have sufficient funds to meet its first year's obligations

Wisconsin Medical Malpractice JUA

History

The Wisconsin Medical Malpractice JUA began operations March 17, 1975. Members included all personal liability insurers. Insurance is offered to all health care providers. In 1987, the JUA medical malpractice market share of 46.8% (Exhibit 1) was up substantially from 34.8% in 1986 and more than double the 1985 share of 20.7%.

Funding and Deficit Provisions

Funding comes from two sources, (1) policyholder premiums and (2) member assessments. If the JUA suffers a deficit, members can be assessed based on a pro rate share of their writings. A recoupment provision is provided in the form of a rate increase.

Balance Sheet

As of year-end 1987, the Wisconsin JUA reports $85.1 million in assets ($74.5 million in 1986), $105.2 million in liabilities ($99.0 million in 1986), and a deficit of $20.1 million ($24.5 million in 1986). (See Exhibit 2).

Assets

Invested assets amount to $81.3 million of which $74.2 million is in bonds. Short-term investments at year-end 1986 are $6.5 million. The bond portfolio has an embedded yield of approximately 7.1%. The average time to maturity for bonds is 4.9 years. Other invested assets include $26,000 held in cash and $0.6 million invested in preferred stocks. The $3.8 million of non-invested assets include $1.8 million of premium balances and $2.0 million in interest income due and accrued.

Cash Flow

In 1987, the Wisconsin JUA had a positive $12.1 million cash flow (Exhibit 4) up sharply from $4.1 million in 1986. Total income of $24.8 million, up from $16.4 million in 1986, is comprised of $17.4 million from premiums and $6.9 million from investment income. The premium figure is up substantially from the $11.1 million in 1986, while investment income is up from $5.3 million in 1986. Expenditures of $12.7 million are up $1.2 million from the $11.6 million in expenditures in 1986. All of the increase is accounted for in the increase in paid claims from $6.2 million in 1986 to $7.6 million in 1986. The 1987 loss adjustment expenses are $3.9 million, while other expenses are $1.2 million.

Statutory Reserves

The Wisconsin JUA reports $95.0 million in loss and loss adjustment expenses as of year-end 1987 (Exhibit 5) up $3.6 million from 1986. The increase is due to loss reserves increasing from $64.8 million in 1986 to $67.1 million in 1987, while the loss adjustment expense reserve in 1987 of $28.0 million is up $1.4 million from the $26.6 million loss adjustment expense reserve in 1986. Most of the increase in the loss reserves is due to the IBNR reserve increasing from $44.3 million in 1986 to $45.8 million in 1987. The pending reserve increased slightly from $20.5 million in 1986 to $21.3 million in 1987. The average pending reserve of $17,507 is up slightly from the average pending reserve of $16,407 in 1986.

Pending Claims

The number of pending claims is down slightly from 1,248 in 1986 to 1,216 in 1987. The distribution of pending claims is typical. (See Exhibit 6). More than one-half of the claims are pending from 1984 and prior. Wisconsin has the third largest number of pending claims.

Discounted Reserves

While the Wisconsin JUA did not supply the requested data on historical payout patterns and current accident-year reserves for development and discounting purposes, the JUA's consulting actuary did provide a projected run-off pattern for the loss and loss adjustment expense reserves as of 9/30/87. Applying this projected run-off pattern to the year-end 1987 reserve and discounting at the embedded yield, the discounted reserve is estimated to be $73.1 million, which is $8.3 million less than the invested assets of $81.3 million. (See Exhibit 10). This margin provides some cushion if reserves prove to be inadequate or claims are paid faster than anticipated. If reserves are 20% inadequate, the $8.3 million surplus becomes a $6.3 million deficit. If claims are paid on average one year sooner, the surplus drops to $3.1 million. If both should occur, a $12.6 million deficit would result.

Rate Filings

Since 1984, the JUA requested rate increases four times and received approval for the requested rate increases three times. For 1984, the JUA asked for a 51.5% increase in the rates for physicians and received approval for a 35% increase. At the same time, they requested a 67.2% increase for hospitals and received a 49.0% increase. For 1985, the JUA requested and received approval for a 69.6% increase for physicians and a 52.4% increase for hospitals. For 1986, the JUA requested and received approval for a 32.2% increase in physician rates and a 51.4% increase in hospital rates. For 1987, the JUA requested and received approval for a 9.8% increase in physician rates and a 23.1% increase in hospital rates.

Conclusions

Based on this analysis, the Wisconsin JUA appears to have sufficient invested assets including future investment income to cover existing loss liabilities. If any of the assumptions underlying this estimate, however, prove to be optimistic, the JUA might not have sufficient funds to cover existing claim liabilities.

1987
EXHIBITS

Exhibit 1
1987 Market Share

State	Percent
Florida	10.4%
Kansas	5.9
Massachusetts	84.5
Minnesota	0.4
New Hampshire	52.5
New York	14.3
Pennsylvania	3.4
Rhode Island	75.1
South Carolina	53.7
Texas	9.9
Virginia	2.8
Wisconsin	46.8

Exhibit 2
Balance Sheet—Statutory

Year-End 1987	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Assets	$60,488,565	$ 8,640,574	$ 461,970,863	$ 367,753	$ 44,561,928	$ 573,341,553
Liabilities	60,488,565	8,640,574	1,247,102,534	587,742	72,810,141	1,350,543,933
Surplus	0	0	(785,131,671)	(219,989)	(28,248,213)	(777,202,380)

Year-End 1987	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Assets	$57,922,604	$ 86,119,207	$ 25,330,721	$125,977,991	$ 3,487,535	$ 85,089,607
Liabilities	54,884,799	246,092,459	42,747,279	125,977,991	2,624,188	105,182,104
Surplus	3,037,805	(159,973,252)	(17,416,556)	0	863,347	(20,092,497)

* Fiscal year ending June 1987.

Exhibit 3

Assets

Year-End 1987	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Assets	$60,488,565	$ 8,640,574	$461,970,863	$ 367,753	$44,561,928	$573,341,553
Invested	57,793,285	5,629,881	389,436,275	363,905	41,163,912	448,415,159
Bonds	54,742,172	0	359,731,342	0	32,534,278	331,175,765
Short Term	0	4,833,429	19,246,000	0	6,508,812	114,491,577
Cash	3,051,113	796,452	10,458,933	258,176	2,120,822	2,747,817
Other	0	0	0	105,729	0	0
Non-Invested	2,695,280	3,010,693	72,534,588	3,848	3,398,016	124,926,394
Premium Balance	1,671,055	0	63,097,087	3,848	1,358,855	118,729,428
Other	1,024,225	3,010,693	9,437,501	0	2,039,161	6,196,966
Embedded Yield	8.44%	5.24%	7.85%	No Bonds	7.3%	8.41%
Bond Maturity in Years	5.3	Less Than 1 Yr	9.5	No Bonds	5.0	13.8

Year-End 1987	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Assets	$57,922,604	$86,119,207	$ 25,330,721	$125,977,991	$ 3,487,535	$ 85,089,607
Invested	56,753,291	79,270,551	24,923,319	105,936,918	3,265,059	81,338,182
Bonds	49,575,443	67,488,760	22,544,229	100,921,724	1,345,809	74,194,388
Short Term	6,676,576	0	2,255,000	3,399,788	0	6,517,140
Cash	501,272	3,317,043	123,759	1,615,406	1,919,250	25,654
Other	0	8,464,748	331	0	0	601,000
Non-Invested	1,169,313	6,848,656	407,402	20,041,073	222,476	3,751,425
Premium Balance	83,436	5,173,068	1,330	1,614,899	181,179	1,800,215
Other	1,085,877	1,675,588	406,072	18,426,174	41,297	1,951,210
Embedded Yield	7.13%	7.6%	7.92%	8.17%	7.8%	7.14%
Bond Maturity in Years	8.0	5.2	1.6	1.9	2.7	4.9

* Fiscal year ending June 1987.

Exhibit 4
Cash Flow

Year-End 1987	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire**	New York
Income	$26,204,053	$ 2,425,210	$179,603,543	$ 301,234	$18,744,558	$96,868,916
Premium	22,170,915	2,103,305	149,032,252	219,648	15,531,655	61,065,755
Investment Income	4,033,148	321,905	30,571,291	8,790	3,005,272	33,299,932
Other Income	0	0	1,430,250	72,796	207,631	2,503,229
Expenditures	17,201,412	2,924,093	84,801,087	50,951	10,336,490	25,171,358
Paid Claims	9,655,760	2,001,196	58,477,316	0	9,163,581	13,804,549
Loss Adj. Exp.	5,331,682	295,227	14,194,623	0		9,249,220
Other Expenses	2,213,970	627,670	12,129,148	50,951	1,172,909	2,117,589
Net Cash Flow	9,002,651	(498,883)	94,802,456	250,283	8,408,068	71,697,558

Year-End 1987	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Income	$12,365,784	$31,800,603	$ 12,493,756	$25,406,245	$ 2,487,337	$24,777,216
Premium	8,320,766	25,725,972	10,609,082	18,028,856	2,429,143	17,386,718
Investment Income	4,045,018	6,074,594	1,884,686	7,375,489	58,161	6,928,534
Other Income	0	37	(12)	1,900	33	461,964
Expenditures	8,200,510	16,112,981	6,647,081	25,505,816	591,436	12,694,954
Paid Claims	4,909,363	11,133,568	3,588,739	15,724,278	63,840	7,589,072
Loss Adj. Exp.	2,553,094	3,287,259	2,062,034	2,385,164	463,431	3,896,411
Other Expenses	738,053	1,692,154	996,308	3,396,374	64,165	1,209,471
Net Cash Flow	4,165,274	15,687,622	5,846,675	3,900,429	1,895,901	12,082,262

* Fiscal year ending June 1986.

** Paid claims also include loss adjustment expenses paid

Exhibit 5
Loss and LAE Reserves

Year-End 1987	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire**	New York
Loss and LAE Reserves	$87,303,536	$ 6,457,050	$1,166,854,940	$ 374,900	$62,317,887	$1,268,756,542
Loss Reserves	64,865,541	4,783,000	832,473,842	374,900	62,317,887	973,558,662
LAE Reserves	22,437,995	1,674,050	334,381,098	0		295,197,880
Loss Reserves	64,865,541	4,783,000	832,473,842		62,317,887	973,558,662
Pending	30,316,972	4,543,000	350,723,175	251,500	14,526,714	190,418,680
IBNR	$34,548,569	$ 240,000	$ 481,750,667	$ 123,400	$47,791,173	$ 783,139,982
Pending Claims	Not Reported	87	Not Reported	2	338	2,092
Average Pending Claim		$ 52,218		$ 125,750	$ 42,978	$ 91,022

Year-End 1987	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Loss and LAE Reserves	$51,657,952	$228,609,918	$ 36,138,551	$102,396,395	$ 986,059	$ 95,022,870
Loss Reserves	38,042,293	208,186,333	26,796,898	78,957,441	636,167	67,055,594
LAE Reserves	13,615,659	20,423,585	9,341,653	23,438,954	349,892	27,967,276
Loss Reserves	38,042,293	208,186,333	26,796,898	78,957,441	636,167	67,055,594
Pending	16,588,905	51,429,626	8,626,158	25,657,953	3,500	21,288,946
IBNR	$21,453,388	$156,756,707	$ 18,170,740	$ 53,299,488	$ 632,667	$ 45,766,648
Pending Claims	623	1,231	596	724	1	1,216
Average Pending Claim	$ 26,627	$ 41,779	$ 14,473	$ 35,439	$ 3,500	$ 17,507

* Fiscal year ending June 1987.

** LAE Reserves included in Loss Reserves, and Pending and IBNR Loss Reserves also include LAE Reserves

Exhibit 6
Pending Claims

Calendar Year	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Prior to 1977					4	183
1977					8	129
1978					4	134
1979					14	166
1980					34	185
1981					29	242
1982		1			31	239
1983		1			34	247
1984		2			45	164
1985		6			39	234
1986		24		1	38	129
1987		53		1	58	40
Total	Not Reported	87	Not Reported	2	338	2,092

Calendar Year	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Prior to 1977		20		3		11
1977	2	20		8		15
1978	12	26	8	19		23
1979	8	30	12	13		20
1980	20	62	13	23		25
1981	45	121	17	31		62
1982	100	173	25	29		151
1983	126	209	98	45		190
1984	127	193	135	88		285
1985	138	139	103	213		141
1986	33	145	116	184		120
1987	12	93	69	68	1	173
Total	623	1,231	596	724	1	1,216

* Fiscal year ending June 1987

Exhibit 7A
Florida Reserve Development

Inception to 12/87

Accident-Year Ending	Original Reserve	Developed Reserve At 12/87	Reserve Redundency/ (Deficiency)
1976	$ 6,164,771	$ 7,295,771	$ (1,131,000)
1977	9,096,805	6,442,805	2,654,000
1978	6,562,029	6,184,771	377,258
1979	7,392,625	8,289,452	(896,827)
1980	5,808,681	11,033,881	(5,225,200)
1981	4,190,641	11,871,641	(7,681,000)
1982	4,363,976	18,149,984	(13,786,008)
1983	11,616,665	12,178,665	(562,000)
1984	9,723,880	8,566,710	1,157,170
1985	4,652,588	7,703,729	(3,051,141)
1986	10,251,607	13,123,607	(2,872,000)
Total	$79,824,268	$110,841,016	$(31,016,748)

1987 Development

Accident-Year Ending	Developed Reserve At 12/86	Developed Reserve At 12/87	Reserve Redundency/ (Deficiency)
1976	$ 7,412,000	$ 7,295,771	$ 116,229
1977	6,604,000	6,442,805	161,195
1978	6,375,000	6,184,771	190,229
1979	8,562,000	8,289,452	272,548
1980	10,902,000	11,033,881	(131,881)
1981	12,199,000	11,871,641	327,359
1982	19,252,000	18,149,984	1,102,016
1983	12,995,000	12,178,665	816,335
1984	9,572,000	8,566,710	1,005,290
1985	7,350,000	7,703,729	(353,729)
1986	10,661,000	13,123,607	(2,462,607)
Total	$111,884,000	$110,841,016	$ 1,042,984

Exhibit 7B
Kansas Reserve Development

Inception to 6/87

Accident-Year	Developed Original Reserve	Reserve Reserve At 12/87	Redundency/ (Deficiency)
1977	$ 231,980	$ 16,044	$ 215,936
1978	583,730	321,704	262,026
1979	861,487	459,923	401,564
1980	815,528	1,040,462	(224,934)
1981	706,474	911,826	(205,352)
1982	1,711,846	1,846,307	(134,461)
1983	2,258,250	1,882,045	376,205
1984	3,206,250	2,366,016	840,234
1985	3,727,950	2,397,360	1,330,590
1986	2,282,700	2,783,816	(501,116)
Total	$16,386,195	$14,025,503	$2,360,692

Exhibit 7C
New Hampshire Reserve Development

Inception to 12/87

Accident-Year	Original Reserve	Developed Reserve At 12/87	Reserve Redundency/ (Deficiency)
1976	Not Available	$ 3,616,213	
1977	Not Available	4,169,727	
1978	Not Available	8,036,286	
1979	Not Available	9,023,047	
1980	Not Available	10,776,029	
1981	$ 2,664,765	6,007,506	$ (3,342,741)
1982	6,565,788	10,718,655	(4,152,867)
1983	12,413,053	8,072,231	4,340,822
1984	9,245,517	8,953,831	291,686
1985	14,309,916	9,440,889	4,869,027
1986	13,444,650	11,891,035	1,553,615
Total*	$58,643,689	$55,084,147	$ 3,559,542

* Total 1981-1986 only

1987 Development

Accident-Year	Developed Reserve At 12/86	Developed Reserve At 12/87	Reserve Redundency/ (Deficiency)
1976	$ 3,363,910	$ 3,616,213	$ (252,303)
1977	3,518,476	4,169,727	(651,251)
1978	8,513,537	8,036,286	477,251
1979	8,279,818	9,023,047	(743,229)
1980	9,981,608	10,776,029	(794,421)
1981	6,025,096	6,007,506	17,590)
1982	7,082,688	10,718,655	(3,635,967)
1983	8,069,379	8,072,231	(2,852)
1984	8,611,075	8,953,831	(342,756)
1985	11,332,367	9,440,889	1,891,478
1986	13,444,650	11,891,035	1,553,615
Total	$88,222,604	$90,705,449	$(2,482,845)

Exhibit 7D
New York Reserve Development

Inception to 12/87

Accident-Year	Original Reserve	Developed Reserve At 12/87	Reserve Redundency/ (Deficiency)
1975	$ 8,084,387	$ 27,272,121	$(19,187,734)
1976	44,007,000	64,132,882	(20,125,882)
1977	13,614,000	52,341,036	(38,727,036)
1978	23,668,000	48,201,405	(24,533,405)
1979	40,633,000	60,137,757	(19,504,757)
1980	42,346,997	60,442,547	(18,095,550)
1981	49,079,674	70,756,240	(21,676,566)
1982	65,175,744	56,254,400	8,921,344
1983	56,309,053	62,051,536	(5,742,483)
1984	30,476,829	36,563,531	(6,086,702)
1985	127,759,152	126,378,385	1,380,767
1986	410,452,381	346,009,453	64,442,928
Total	$911,606,217	$1,010,541,293	$(98,935,076)

1987 Development

Accident-Year Ending	Developed Reserve At 12/86	Developed Reserve At 12/87	Reserve Redundency/ (Deficiency)
1975	$ 26,489,746	$ 27,272,121	$ (782,375)
1976	67,658,561	64,132,882	3,525,679
1977	54,711,322	52,341,036	2,370,286
1978	52,739,596	48,201,405	4,538,191
1979	63,579,337	60,137,757	3,441,580
1980	66,156,355	60,442,547	5,713,808
1981	74,270,781	70,756,240	3,514,541
1982	60,479,229	56,254,400	4,224,829
1983	63,456,848	62,051,536	1,405,312
1984	35,692,499	36,563,531	(871,032)
1985	126,825,508	126,378,385	447,123
1986	410,452,381	346,009,453	64,442,928
Total	$1,102,512,163	$1,010,541,293	$91,970,870

Exhibit 7E
Rhode Island Reserve Development

Inception to 12/87

Accident-Year	Original Reserve	Developed Reserve At 12/87	Reserve Redundency/ (Deficiency)
1976		Not Available	
1977		Not Available	
1978		Not Available	
1979		Not Available	
1980	$ 10,128,614	$ 18,394,769	$ (8,266,155)
1981	11,979,104	17,562,720	(5,583,616)
1982	18,373,088	27,270,951	(8,897,863)
1983	23,186,372	25,378,915	(2,192,543)
1984	35,545,996	26,766,822	8,779,174
1985	49,424,676	37,957,859	11,466,817
1986	55,717,802	46,424,124	9,293,678
Total	$204,355,652	$199,756,160	$ 4,599,492

1987 Development

Accident-Year Ending	Developed Reserve At 12/86	Developed Reserve At 12/87	Reserve Redundency/ (Deficiency)
1976		Not Available	
1977		Not Available	
1978		Not Available	
1979		Not Available	
1980	$ 20,088,500	$ 18,394,769	$ 1,693,731
1981	18,973,280	17,562,720	1,410,560
1982	27,696,332	27,270,951	425,381
1983	27,063,041	25,378,915	1,684,126
1984	30,265,087	26,766,822	3,498,265
1985	41,345,909	37,957,859	3,388,050
1986	46,442,965	46,424,124	18,841
Total	$211,875,114	$199,756,160	$12,118,954

Exhibit 7F
South Carolina Reserve Development

Inception to 6/88

Fiscal Accident-Year Ending	Original Reserve	Developed Reserve 6/88	Reserve Redundency/ (Deficiency)
1976	$ 734,528	$ 5,517,844	$(4,783,316)
1977	4,372,022	2,732,656	1,639,366
1978	3,146,166	4,873,350	(1,727,184)
1979	2,390,504	3,529,727	(1,139,223)
1980	3,545,367	4,918,219	(1,372,852)
1981	4,003,671	4,822,374	(818,703)
1982	3,246,918	5,808,344	(2,561,426)
1983	5,359,823	7,829,126	(2,469,303)
1984	8,390,720	7,969,505	421,215
1985	9,735,251	7,846,412	1,888,839
1986	13,539,033	10,480,626	3,058,407
1987	11,941,806	9,800,878	2,140,928
Total	$70,405,809	$76,129,061	$(5,723,252)

Exhibit 7G
Texas Reserve Development

Inception to 12/87

Accident-Year	Original Reserve	Developed Reserve 12/87	Reserve Redundency/ (Deficiency)
1976	$ 5,767,277	$ 5,221,059	$ 546,218
1977	9,211,976	9,089,105	122,871
1978	8,819,748	9,241,901	(422,153)
1979	6,451,681	10,668,289	(4,216,608)
1980	3,728,214	10,978,531	(7,250,317)
1981	3,380,338	10,340,848	(6,960,510)
1982	3,342,294	8,862,144	(5,519,850)
1983	3,944,716	8,439,720	(4,495,004)
1984	8,628,249	11,149,623	(2,521,374)
1985	23,864,797	23,864,797	0
1986	33,923,405	33,923,406	(1)
Total	$111,062,695	$141,779,423	$(30,716,728)

1987 Development

Accident-Year	Developed Reserve 12/85	Developed Reserve 12/86	Reserve Redundency/ (Deficiency)
1976	$ 5,221,059	$ 5,221,059	$ 0
1977	9,089,105	9,089,105	0
1978	9,241,901	9,241,901	0
1979	10,455,859	10,668,289	(212,430)
1980	10,978,531	10,978,531	0
1981	8,370,758	10,340,848	(1,970,090)
1982	7,042,592	8,862,144	(1,819,552)
1983	8,439,717	8,439,720	(3)
1984	11,149,623	11,149,623	0
1985	23,864,797	23,864,797	0
1986	33,923,405	33,923,406	(1)
Total	$137,777,347	$141,779,423	$(4,002,075)

Exhibit 8
Cumulative Payout Pattern

Year	Florida	Kansas*	New Hampshire	New York	Rhode Island	South Carolina*	Texas	Virginia
Initial year	0.8%	7.3%	0.2%	0.3%	0.1%	0.9%	0.5%	6.5%
+1	7.0	35.7	2.6	0.7	2.6	6.7	4.3	29.9
2	23.2	67.3	12.1	1.8	7.6	22.8	16.6	62.6
3	46.5	83.0	21.6	4.3	16.7	41.0	28.1	81.3
4	68.3	96.2	35.5	9.2	28.0	63.9	42.6	95.3
5	79.9	98.0	48.0	16.3	44.1	77.9	58.8	100.0
6	87.5	99.8	57.8	23.5	54.8	83.6	69.6	
7	91.4	100.0	64.8	33.3	66.3	88.4	75.7	
8	94.7		69.2	42.5	71.8	94.0	79.4	
9	97.2		72.9	50.3	75.3	98.2	82.2	
10	98.9		76.2	58.0	78.6	99.3	85.7	
11	100.0		78.7	63.8	81.4	100.0	89.7	
12			81.2	69.6	84.4		93.1	
13			84.1	75.6	86.7		96.6	
14			87.3	80.3	88.9		98.3	
15			90.7	83.8	91.2		100.0	
16			94.0	87.5	93.4			
17			96.8	92.2	95.6			
18			98.8	96.3	97.8			
19			99.8	98.7	100.0			
20			100.0	100.0				
21								
Median Payout Term-Years	3.2	1.5	5.2	9.0	5.5	3.4	4.5	1.6

* Fiscal year ending June 1987

Exhibit 9A

Florida Payout Pattern as Cumulative Percent of Total Incurred

	Accident Year												
Calendar Year	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Average
0	1.6%	1.9%	1.0%	0.6%	1.2%	0.7%	0.5%	1.2%	0.0%	0.3%	0.3%	0.1%	0.8%
1	15.5	8.5	8.6	5.4	7.9	7.1	4.3	9.4	3.9	3.5	2.4	8.1	7.0
2	37.1	24.8	32.0	21.6	27.8	19.8	17.2	27.7	13.1	14.1	19.0	23.8	23.2
3	62.0	56.9	50.8	51.5	49.2	41.1	51.1	41.6	36.0	35.5	39.2	42.8	46.5
4	79.9	79.9	75.2	68.7	69.6	59.9	64.8	71.5	61.2	60.9	63.1	65.3	68.3
5	86.1	90.2	90.0	77.7	81.1	71.2	83.1	80.7	73.7	73.5	75.0	76.5	79.9
6	99.0	98.6	95.1	85.3	90.5	85.8	87.3	85.4	80.1	79.9	81.1	82.2	87.5
7	99.2	100.1	98.7	89.1	98.3	89.4	90.5	89.1	85.1	85.0	85.9	86.7	91.4
8	99.4	100.0	99.3	94.5	98.9	93.3	94.0	93.1	90.7	90.6	91.1	91.7	94.7
9	100.0		100.0	97.0	99.4	96.4	96.8	96.3	94.9	94.9	95.2	95.5	97.2
10				98.9	99.8	98.6	98.8	98.6	98.1	98,1	98.2	98.3	98.9
11				100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	2.5	2.8	3.0	2.9	3.0	3.5	3.0	3.3	3.6	3.6	3.5	3.3	3.2

Exhibit 9B
New Hampshire Payout Pattern as Cumulative Percent of Total Incurred

	Accident Year								
Calendar Year	1980	1981	1982	1983	1984	1985	1986	1987	Average
0	0.0%	0.1%	0.2%	0.2%	0.0%	0.0%	0.0%	0.7%	0.2%
1	0.7	11.7	2.3	2.0	0.6	0.5	0.3	2.5	2.6
2	16.8	17.9	8.4	13.9	14.6	3.3	9.9	12.1	12.1
3	25.5	23.2	17.1	34.9	17.7	13.3	19.6	21.8	21.6
4	38.3	36.0	25.1	56.0	31.7	28.1	33.5	35.6	35.5
5	42.5	48.8	53.8	63.7	43.0	40.2	44.8	46.8	48.0
6	53.0	57.7	63.1	70.8	53.7	51.6	55.4	57.1	57.8
7	71.6	64.6	68.1	74.4	59.1	57.2	60.8	62.5	64.8
8	76.0	70.0	72.2	77.5	63.7	62.1	65.4	67.0	69.2
9	79.3	74.2	75.5	80.1	67.7	66.3	69.2	70.7	72.9
10	82.2	77.8	78.5	82.4	71.3	70.2	72.8	74.2	76.2
11	84.4	80.5	80.8	84.2	74.2	73.1	75.6	76.9	78.7
12	86.4	83.0	83.1	86.0	77.1	76.2	78.4	79.6	81.2
13	88.5	85.7	85.7	88.2	80.5	79.8	81.6	82.7	84.1
14	90.9	88.6	88.6	90.6	84.5	83.9	85.4	86.2	87.3
15	93.3	91.7	91.6	93.1	88.6	88.2	89.3	89.9	90.7
16	95.7	94.6	94.6	95.5	92.6	92.4	93.1	93.5	94.0
17	97.7	97.1	97.1	97.6	96.1	95.9	96.3	96.5	96.8
18	99.1	98.9	98.9	99.1	98.5	98.4	98.6	98.7	98.8
19	99.9	99.9	99.9	99.9	99.8	99.8	99.8	99.8	99.8
20	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	5.7	5.1	4.9	3.7	5.7	5.9	5.5	5.3	5.2

Exhibit 9C

New York Payout Pattern as Cumulative Percent of Total Incurred

	Accident Year													
Calendar Year	**1975**	**1976**	**1977**	**1978**	**1979**	**1980**	**1981**	**1982**	**1983**	**1984**	**1985**	**1986**	**1987**	**Average**
0	0.0%	0.6%	0.1%	0.0%	0.4%	0.4%	0.4%	0.5%	0.6%	0.9%	0.1%	0.1%	0.1%	0.3%
1	0.6	1.1	0.7	0.8	0.9	0.8	0.7	0.7	1.0	1.2	0.2	0.2	0.1	0.7
2	1.9	2.6	2.6	2.5	2.4	2.0	1.9	1.6	2.1	2.0	0.5	0.5	0.4	1.8
3	4.0	8.5	8.1	6.4	5.9	4.6	3.7	4.0	4.0	3.8	1.5	1.1	0.8	4.3
4	11.4	15.7	11.5	14.8	13.8	11.0	7.7	7.9	9.0	10.1	3.1	2.1	1.6	9.2
5	17.0	24.6	19.5	20.9	22.3	19.0	11.6	12.1	16.4	17.4	11.1	10.1	9.7	16.3
6	23.7	31.1	26.4	29.5	28.2	25.4	16.4	20.2	24.1	25.0	19.4	18.5	18.1	23.5
7	31.0	39.3	42.3	40.1	33.1	31.1	27.7	30.7	34.2	34.9	30.1	29.4	29.0	33.3
8	48.2	48.3	51.6	45.0	38.4	41.6	37.3	39.6	42.6	43.2	39.2	38.6	38.2	42.5
9	53.4	56.0	56.2	48.9	49.6	51.0	46.4	48.1	50.7	51.2	47.9	47.4	47.1	50.3
10	62.9	60.8	59.7	60.4	60.7	59.7	54.1	55.2	57.5	57.9	55.3	54.8	54.5	58.0
11	66.3	62.9	70.2	68.3	68.4	65.9	59.9	60.5	62.6	62.9	60.8	60.4	60.1	63.8
12	69.4	75.0	77.8	74.5	74.4	71.3	65.3	65.6	67.4	67.7	65.9	65.6	65.3	69.6
13	84.0	83.8	83.7	79.7	79.5	76.0	70.4	70.5	72.1	72.3	70.8	70.4	70.2	75.6
14	93.6	89.8	87.9	83.7	83.4	79.9	74.7	74.7	76.1	76.3	75.0	74.7	74.5	80.3
15	94.8	91.6	90.0	86.5	86.3	83.4	79.1	79.1	80.3	80.4	79.4	79.1	79.0	83.8
16	96.0	93.5	92.4	89.6	89.5	87.3	84.0	84.0	84.8	85.0	84.1	84.0	83.8	87.5
17	97.5	96.0	95.2	93.5	93.4	92.0	90.0	90.0	90.5	90.6	90.1	90.0	90.0	92.2
18	98.8	98.1	97.7	96.9	96.9	96.2	95.3	95.3	95.5	95.6	95.4	95.3	95.3	96.3
19	99.6	99.3	99.2	99.0	98.9	98.7	98.4	98.4	98.5	98.5	98.4	98.4	98.4	98.7
20	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	8.4	8.2	7.7	9.3	9.0	8.9	9.5	9.3	8.9	8.8	9.3	9.4	9.4	9.0

Exhibit 9D

Rhode Island Payout Pattern as Cumulative Percent of Total Incurred

	Accident Year												
Calendar Year	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Average
0	0.3%	0.2%	0.1%	0.1%	0.5%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
1	1.5	0.5	0.6	1.0	2.0	1.0	7.2	1.7	9.0	0.8	1.5	4.5	2.6
2	3.9	2.9	2.0	3.7	16.1	4.7	13.5	9.3	12.2	8.1	5.8	8.7	7.6
3	9.0	5.1	10.5	19.8	33.3	19.0	22.2	12.3	16.8	18.0	15.8	18.6	16.7
4	17.5	9.9	15.9	42.5	53.0	28.6	28.9	20.5	29.4	30.3	28.4	30.7	28.0
5	19.5	31.8	24.9	73.2	61.4	48.0	46.0	39.2	45.8	46.8	45.3	47.3	44.1
6	35.7	41.4	43.9	75.3	64.5	52.7	59.5	52.6	57.4	58.6	57.2	59.2	54.8
7	54.3	65.3	45.1	82.1	68.1	65.8	70.7	65.7	69.2	70.0	69.0	70.5	66.3
8	70.2	67.3	50.6	85.4	73.2	71.1	75.4	71.1	73.9	74.6	73.7	75.0	71.8
9	69.7	70.6	52.8	88.0	77.5	75.8	79.5	76.0	78.1	78.6	77.8	78.8	75.3
10	69.9	74.5	59.9	89.7	80.9	79.4	82.5	79.6	81.4	81.8	81.2	82.0	78.6
11	68.6	78.5	66.1	91.3	83.9	82.6	85.2	82.7	84.3	84.6	84.1	84.8	81.4
12	73.7	81.9	71.4	92.7	86.4	85.4	87.6	85.5	86.8	87.0	86.6	87.2	84.4
13	78.0	84.7	75.7	93.8	88.5	87.6	89.5	87.6	88.7	89.0	88.6	89.1	86.7
14	81.6	87.2	79.8	94.9	90.4	89.7	91.3	89.7	90.6	90.8	90.5	90.9	88.9
15	85.3	89.8	83.8	95.9	92.3	91.7	93.0	91.8	92.5	92.6	92.4	92.7	91.2
16	89.0	92.3	87.9	96.9	94.2	93.8	94.8	93.8	94.4	94.5	94.3	94.6	93.4
17	92.7	94.9	91.9	97.9	96.2	95.9	96.5	95.9	96.2	96.3	96.2	96.4	95.6
18	96.3	97.4	96.0	99.0	98.1	97.9	98.3	97.9	98.1	98.2	98.1	98.2	97.8
19	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	6.8	6.4	7.9	4.2	3.6	5.4	5.3	5.8	5.4	5.3	5.4	5.2	5.5

Exhibit 9E
South Carolina Payout Pattern as Cumulative Percent of Total Incurred

	Fiscal-Accident Year Ending												
Calendar Year	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Average
0	0.1%	0.3%	4.9%	0.2%	1.5%	0.1%	1.5%	0.1%	0.3%	0.2%	1.3%	0.3%	0.9%
1	8.8	7.1	11.7	2.7	7.9	2.0	5.7	5.8	5.4	9.8	7.3	6.1	6.7
2	12.2	20.2	25.9	18.4	22.4	20.5	29.7	28.2	22.9	25.3	24.5	23.5	22.8
3	23.2	45.3	53.2	29.0	35.5	48.6	43.8	44.7	37.8	44.1	43.5	42.8	41.0
4	40.5	55.1	72.5	58.1	71.0	69.6	69.6	65.3	63.8	67.3	67.1	66.6	63.9
5	46.6	67.9	82.6	83.3	81.7	83.6	84.8	80.3	79.7	81.5	81.4	81.2	77.9
6	60.9	76.2	87.7	87.5	88.9	85.7	88.6	85.2	84.8	86.1	86.1	85.9	83.6
7	75.9	80.4	90.5	89.3	89.3	90.5	92.4	90.1	89.8	90.7	90.7	90.6	88.4
8	95.9	83.1	96.1	90.4	94.6	95.2	96.2	95.1	94.9	95.4	95.4	95.3	94.0
9	99.9	90.6	96.4	98.7	99.0	99.1	99.3	99.0	99.0	99.1	99.1	99.1	98.2
10	99.9	91.2	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	99.3
11	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	5.2	3.5	2.9	3.7	3.4	3.1	3.2	3.3	3.5	3.3	3.3	3.3	3.4

Exhibit 9F
Texas Payout Pattern as Cumulative Percent of Total Incurred

	Accident Year												
Calendar Year	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	Average
0	0.2%	3.4%	0.1%	0.0%	0.0%	0.2%	0.4%	0.0%	0.1%	0.3%	0.3%	2.4%	0.5%
1	5.1	8.1	2.6	0.6	4.8	1.9	4.9	0.8	2.6	7.9	8.3	3.4	4.3
2	18.8	13.3	4.8	14.8	12.3	14.8	14.6	17.5	20.1	29.1	22.2	18.0	16.6
3	28.0	22.2	12.8	26.7	26.7	24.2	32.5	28.0	38.6	37.6	31.5	27.8	28.1
4	51.9	32.0	20.5	31.8	43.0	43.6	49.8	36.1	55.2	54.4	50.0	47.3	42.6
5	66.7	43.5	44.8	36.7	54.5	47.8	62.7	65.7	75.9	75.5	73.1	71.7	58.8
6	74.5	51.7	47.6	59.4	59.8	68.5	75.8	77.5	84.2	84.0	82.4	81.5	69.6
7	77.0	57.4	53.2	68.5	71.0	76.8	82.1	83.4	88.4	88.2	87.0	86.3	75.7
8	77.5	66.4	63.0	72.3	75.2	80.1	84.7	85.8	90.0	89.9	88.9	88.3	79.4
9	77.8	67.9	69.6	76.9	79.3	83.4	87.2	88.2	91.7	91.6	90.7	90.2	82.2
10	78.3	77.2	75.7	81.5	83.5	86.7	89.8	90.5	93.4	93.3	92.6	92.2	85.7
11	88.5	82.9	81.8	86.2	87.6	90.0	92.3	92.9	95.0	94.9	94.4	94.1	89.7
12	92.4	88.6	87.9	90.8	91.7	93.4	94.9	95.3	96.7	96.6	96.3	96.1	93.1
13	96.2	94.3	93.9	95.4	95.9	96.7	97.4	97.6	98.3	98.3	98.1	98.0	96.6
14	98.1	97.1	97.0	97.7	97.9	98.3	98.7	98.9	99.2	99.2	99.1	99.0	98.3
15	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	3.9	5.8	6.4	5.6	4.1	4.3	4.0	4.5	3.8	3.8	4.0	4.1	4.5

Exhibit 10
Discounted Reserves

Year-End 1987	Florida	Kansas(1)	Massachusetts(2)	New Hampshire(3)	New York(3)
Invested Assets	$57,793,285	$5,629,881	$389,436,275	$ 42,512,421	$ 448,415,159
Discounted Reserves	68,274,116	5,658,749	819,388,707	43,233,833	693,263,914
Difference	(10,480,831)	(28,868)	(429,952,432)	(721,412)	(244,848,755)

Year-End 1987	Pennsylvania(4)	Rhode Island(3)	South Carolina(1)	Texas	Wisconsin(4)
Invested Assets	$56,753,291	$ 87,877,960	$ 24,923,319	$105,936,918	$ 81,338,182
Discounted Reserves	51,657,952	161,839,875	29,754,340	78,826,298	73,050,257
Difference	5,095,339	(73,961,915)	(4,831,021)	27,110,620	8,287,925

(1) Fiscal year ending 6-30-87
(2) Discounted 1987 reserve assuming Rhode Island runoff
(3) Invested assets include stablilization reserve fund
(4) Statutory reserve discounted at 6%

Exhibit 11

Current Invested Assets vs. Reserve Runoff

	Florida		New Hampshire		New York	
Year	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets
1987		$ 57,793,285		$42,512,421		$448,415,159
1988	$14,750,000	45,432,633	$7,251,563	36,785,434	$ 57,955,244	408,938,853
1989	16,917,000	32,349,932	7,556,231	31,914,903	53,897,807	389,439,796
1990	17,055,000	18,025,112	7,088,326	27,156,679	55,993,155	366,205,188
1991	13,807,000	5,739,346	6,423,678	22,715,707	74,480,663	322,528,643
1992	7,652,000	(1,428,280)	5,197,911	19,176,266	105,529,273	244,129,544
1993	4,828,000		4,179,853	16,396,470	110,023,746	154,641,267
1994	3,985,000		3,266,776	14,326,798	111,859,315	55,789,927
1995	3,431,000		2,967,317	12,405,479	99,325,762	(38,842,948)
1996	2,401,000		2,725,846	10,585,355	89,362,067	
1997	1,527,000		2,532,522	8,825,669	75,117,113	
1998	613,000		2,363,177	7,106,853	64,123,637	
1999			2,263,340	5,362,383	58,892,614	
2000			2,137,174	3,616,715	53,056,472	
2001			1,941,469	1,939,302	48,428,733	
2002			1,636,855	444,035	48,718,050	
2003			1,269,517	(793,062)	51,196,006	
2004			848,629		49,774,186	
2005			463,832		36,207,976	
2006			179,865		19,132,262	
2007			24,005		7,186,232	
2008						
Remaining Liability	$18,697,654		$2,309,392		$640,038,296	

Exhibit 11

Current Invested Assets vs. Reserve Runoff

	Rhode Island		South Carolina	
Year	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets
1987		$87,877,960		$24,923,319
1988	$ 24,939,418	66,232,764	$8,176,375	17,714,619
1989	25,707,671	45,583,811	7,830,581	11,286,320
1990	28,170,864	20,894,541	6,735,668	5,444,072
1991	27,092,061	(4,601,640)	5,505,994	369,029
1992	24,793,267		3,246,437	(2,848,195)
1993	18,681,953		1,706,394	
1994	14,227,047		1,325,646	
1995	9,345,298		967,296	
1996	7,919,604		536,389	
1997	6,789,941		107,772	
1998	5,853,635			
1999	5,232,391			
2000	4,558,720			
2001	4,130,269			
2002	3,652,893			
2003	3,129,298			
2004	2,626,174			
2005	1,927,724			
2006	1,043,648			
2007				
2008				
Remaining Liability	$118,513,501		$7,491,692	

Exhibit 12A

Florida Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978	20.9%	20.9%	7-9-78
1979	-24.8	-24.8	5-28-79
1980	-25.0	-25.0	5-15-80
1981	10.0	10.0	6-29-81
1982	30.4	30.4	9-9-82
1983	25.4	25.4	6-28-83
1984	77.6	77.6	6-1-84
1985	46.4	46.4	7-1-85
1986*	20.0	10.0	6-29-86
1987	20.0	10.0	6-29-87

* Dental Classes only

Florida Rate Filings for Hospitals and Other Facilities

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	-8.6%	-8.6%	7-9-78
1979	-19.6	-19.6	5-28-79
1980	-25.0	-25.0	5-15-80
1981	17.3	17.3	6-29-81
1982	29.5	29.5	9-9-82
1983	50.4	50.4	6-28-83
1984	41.4	41.4	6-1-84
1985	6.2	6.2	7-1-85
1986	99.0	45.0	6-29-86
1987	99.0	45.0	6-29-87

Exhibit 12B
Massachusetts Rate Filings for Physicians and Surgeons*

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977		7.3%	
1978		0.0	
1979		0.0	
1980		10.0	
1981		0.0	
1982		9.1	
1983	162.0%	42.0	5-18-84 Appealed
1983 Supplement	188.0	68.1	6-11-86
1984	41.6	10.9	6-11-86
1985	71.1	23.6	3-4-87
1986	10.3	8.7	3-4-87
1987	10.0	6.5	3-4-87

* Amount requested and final decision date not reported for 1977-1982

Exhibit 12C
New Hampshire Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	NO ACTIVITY		
1979	NO ACTIVITY		
1980	45.0%	45.0%	6-24-80
1981	50.0	50.0	6-2-81
1982	70.0	70.0	6-9-82
1983	30.0	30.0	6-83
1984	Basic 5.1	5.1	6-13-84
	Excess 15.0	15.0	6-13-84
1985	NO ACTIVITY		
1986	9.3	0.0	9-86
1987	12.2	12.2	6-87

Exhibit 12D
New York Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	90.0%	15.5%	6-77
1978	98.0	Disapproved	6-78
1979	104.0	Disapproved	6-79
1980	186.0	Disapproved	6-80
1981	210.0	58.5	10-81
1982	243.0	15.0	12-82
1983	180.0	83.3	1-85
1984	62.0	52.3	1-85
1985	128.0	14.0	7-86
1986	135.0	9.0	7-86
1987	115.0	9.0	7-87

Exhibit 12E
Rhode Island Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977		NO ACTIVITY		
1978		34.1%		No hearing
1979		9.7	9.7%	6-27-79
1980		25.3		Withdrawn
1981	Basic	7.4		
	Excess	12.7		
	Total	21.0	12.7	6-17-81
1982	Basic	41.3	23.1	6-23-82
1983	Basic	43.3	24.0	6-30-83
	Excess	24.7		
1984	Basic	44.6	11.5	6-27-84
	Excess	25.9	16.7	
1985	Basic	101.3	30.0	6-28-85
	Excess	14.8	14.8	
	Total	131.3		
1986	Total	91.4	36.1	7-1-87
1987	Basic	78.0	5.6	7-1-87
	Excess	9.3	28.9	

Exhibit 12F
South Carolina Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	Physicians	50.0%	50.0%	7-1-77
1978	Hospital	133.0	133.0	7-1-78
1979		NO ACTIVITY		
1980		NO ACTIVITY		
1981	Physicians	40.0	40.0	7-1-81
1982		NO ACTIVITY		
1983	Physicians	25.0	25.0	7-1-83
	Hospital	20.0	20.0	7-1-83
1984		NO ACTIVITY		
1985	Physicians	25.0	25.0	1-1-85
	Hospital	40.0	40.0	1-1-85
1986	Physicians	25.0	25.0	1-9-86
	Hospital	45.0	45.0	1-9-86
1987		NO ACTIVITY		

Exhibit 12G
Texas Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	NO ACTIVITY		
1979	NO ACTIVITY		
1980	NO ACTIVITY		
1981	50.0% (A)	Disapproved	4-16-81
1982	NO ACTIVITY		
1983	263.0 (B)	263.0	11-10-83
1984	NO ACTIVITY		
1985	50.0 (C)	50.0	5-21-85
	50.0 (D)	50.0	10-29-85
1986	156.3 (E)	104.7	8-1-86
	161.9 (F)	109.9	8-1-86
1987	29.8 (E)	29.8	9-25-87
	12.9 (F)	12.9	9-25-87

(A) Hospital
(B) Dentists and oral surgeons
(C) Physicians, surgeons, hospitals, and other institutions
(D) Podiatrists
(E) Physicians and other non-institutional health care providers
(F) Hospitals and other institutional health care providers

Exhibit 12H

Wisconsin Rate Filings for Physicians

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	51.5%	35.0%	7-1-84
1985	69.6	69.6	7-1-85
1986	32.2	32.2	7-1-86
1987	9.8	9.8	7-1-87

Wisconsin Rate Filings for Hospitals

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	67.2%	49.0%	7-1-84
1985	52.4	52.4	7-1-85
1986	51.4	51.4	7-1-86
1987	23.1	23.1	7-1-87

1986
EXHIBITS

Exhibit 1
1986 Market Share

State	Percent
Florida	10.5%
Kansas	3.1
Massachusetts	69.0
New Hampshire	53.2
New York	21.6
Pennsylvania	3.4
Rhode Island	82.6
South Carolina	47.0
Texas	13.2
Wisconsin	34.8

Exhibit 2
Balance Sheet—Statutory

Year-End 1986	Florida	Kansas*	Massachusetts	New Hampshire	New York
Assets	$50,248,465	$5,894,884	$ 362,238,704	$ 35,236,727	$ 528,729,984
Liabilities	50,248,465	5,894,884	1,072,772,601	61,767,957	1,037,233,809
Surplus	0	0	(710,533,897)	(26,531,230)	(508,503,825)

Year-End 1986	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Assets	$53,549,097	$ 68,492,239	$19,776,768	$100,911,137	$ 74,502,666
Liabilities	52,853,424	227,817,842	40,101,632	103,783,880	99,039,671
Surplus	695,673	(159,325,603)	(20,324,864)	(2,872,743)	(24,537,005)

* Fiscal year ending June 1986.

Exhibit 3
Assets

Year-End 1986	Florida	Kansas*	Massachusetts	New Hampshire	New York
Assets	$50,248,465	$5,894,884	$362,238,704	$35,236,727	$528,729,984
Invested	47,107,399	5,780,445	344,373,404	31,763,343	394,296,774
Bonds	44,848,545	0	332,628,960	22,252,558	371,380,154
Short Term	0	4,718,959	2,790,000	6,134,419	10,258,210
Cash	2,258,854	1,061,486	8,954,444	3,376,366	12,658,410
Other	0	0	0	0	0
Non-Invested	3,141,066	114,439	17,865,300	3,473,384	134,433,210
Premium Balance	2,286,841	0	9,216,205	1,726,112	126,778,988
Other	854,225	114,439	8,649,095	1,747,272	7,654,222
Embedded Yield	8.69%	Not Reported	9.40%	7.83%	8.54%
Bond Maturity in Years	5.3	Not Reported	10.3	Not Reported	11.3

Year-End 1986	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Assets	$53,549,097	$68,492,239	$19,776,768	$100,911,137	$74,502,666
Invested	52,070,239	63,464,695	19,364,743	75,648,827	70,673,067
Bonds	49,146,840	54,907,706	16,996,607	69,035,383	63,824,121
Short Term	2,261,248	0	2,245,000	3,316,948	6,086,977
Cash	662,151	1,387,766	123,136	3,296,496	27,969
Other	0	7,169,223	0	0	734,000
Non-Invested	1,478,858	5,027,544	412,025	25,262,310	3,829,599
Premium Balance	61,343	3,497,225	9,180	3,964,443	2,023,888
Other	1,417,515	1,530,319	402,845	21,297,867	1,805,711
Embedded Yield	7.66%	8.70%	10.63%	8.96%	8.50%
Bond Maturity in Years	Not Reported	4.2	1.6	2.3	4.2

* Fiscal year ending June 1986.

Exhibit 4
Cash Flow

Year-End 1986	Florida	Kansas*	Massachusetts	New Hampshire**	New York
Income	$24,724,153	$1,342,124	$87,393,043	$15,005,938	$59,147,055
Premium	20,733,446	997,099	55,040,585	12,294,280	16,016,254
Investment Income	3,990,707	345,025	32,352,458	2,488,035	34,648,350
Other Income	0	0	0	223,623	8,482,451
Expenditures	11,454,224	3,279,336	76,303,665	8,132,813	28,694,788
Paid Claims	4,311,297	2,409,043	56,679,572	6,979,551	14,981,221
Loss Adj. Exp.	5,170,511	525,615	12,704,754	0	7,865,613
Other Expenses	1,972,416	344,678	6,919,339	1,153,262	5,847,954
Net Cash Flow	13,269,929	(1,937,212)	11,089,378	6,873,125	30,452,267

Year-End 1986	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Income	$11,723,836	$24,623,163	$9,078,700	$24,083,337	$16,381,039
Premium	7,529,711	19,103,183	7,121,536	17,346,668	11,121,566
Investment Income	4,194,125	5,520,492	1,957,164	6,732,669	5,259,473
Other Income	0	(512)	0	4,000	85,327
Expenditures	8,221,815	11,254,950	8,462,666	14,406,323	11,593,682
Paid Claims	4,825,577	7,541,168	5,373,784	8,048,264	6,203,428
Loss Adj. Exp.	2,481,959	2,328,081	2,084,712	1,266,281	4,359,888
Other Expenses	914,279	1,385,701	1,004,170	5,091,778	1,030,366
Net Cash Flow	3,512,021	13,368,213	616,034	9,677,014	4,787,357

* Fiscal year ending June 1986.

** Paid claims also include loss adjustment expenses paid

Exhibit 5
Loss and LAE Reserves

Year-End 1986	Florida	Kansas*	Massachusetts	New Hampshire**	New York
Loss and LAE Reserves	$51,457,359	$4,893,280	$1,030,840,253	$53,773,456	$943,309,306
Loss Reserves	37,973,303	3,495,200	734,031,626	53,773,456	730,216,981
LAE Reserves	13,484,056	1,398,080	296,808,627	0	213,092,325
Loss Reserves	37,973,303	3,495,200	734,031,626	53,773,456	730,216,981
Pending	22,650,400	3,150,200	304,401,674	12,228,363	199,749,895
IBNR	$15,322,903	$ 345,000	$429,629,952	$41,545,093	$530,467,086
Pending Claims	Not Reported	85	3,198	329	2,144
Average Pending Claim		$ 37,061	$ 95,185	$ 37,168	$ 93,167

Year-End 1986	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Loss and LAE Reserves	$49,169,991	$214,820,472	$34,620,513	$92,111,370	$91,382,026
Loss Reserves	36,479,309	193,840,370	25,735,482	71,136,609	64,770,083
LAE Reserves	12,690,682	20,980,102	8,885,031	20,974,761	26,611,943
Loss Reserves	36,479,309	193,840,370	25,735,482	71,136,609	64,770,083
Pending	16,196,513	49,830,781	6,839,370	20,444,445	20,476,433
IBNR	$20,282,796	$144,009,589	$18,896,112	$50,692,164	$44,293,650
Pending Claims	Not Reported	Not Reported	543	632	1,248
Average Pending Claim			$ 12,596	$ 32,349	$ 16,407

* Fiscal year ending June 1986.

** LAE Reserves included in Loss Reserves, and Pending and IBNR Loss Reserves also include LAE Reserves

Exhibit 6
Pending Claims

Calendar Year	Florida	Kansas*	Massachusetts	New Hampshire	New York
Prior to 1977			61	7	225
1977			71	10	154
1978			125	12	171
1979		1	210	19	204
1980			282	56	226
1981		1	442	45	286
1982		4	544	47	280
1983		16	598	39	275
1984		22	431	42	163
1985		41	278	31	114
1986			159	21	46
Total	Not Reported	85	3,201	329	2,144

Calendar Year	Pennsylvania	Rhode Island	South Carolina*	Texas	Wisconsin
Prior to 1977	–			7	18
1977				15	16
1978				25	25
1979				21	37
1980				39	31
1981			Not Reported	48	87
1982				32	216
1983				68	301
1984				105	185
1985				155	151
1986				117	181
Total	Not Reported	Not Reported	543	632	1,248

* Fiscal year ending June 1986

Exhibit 7A
Florida Reserve Development

Inception to 6/87

Fiscal Accident-Year Ending	Original Reserve	Developed Reserve At 6/87	Reserve Redundency/ (Deficiency)
1976	$ 6,164,771	$ 7,412,000	($ 1,247,229)
1977	9,096,805	6,604,000	2,492,805
1978	6,562,029	6,375,000	187,029
1979	7,392,625	8,562,000	(1,169,375)
1980	5,808,681	10,902,000	(5,093,319)
1981	4,190,641	12,199,000	(8,008,359)
1982	4,363,976	19,252,000	(14,888,024)
1983	11,616,665	12,995,000	(1,378,335)
1984	9,723,880	9,572,000	151,880
1985	4,652,588	7,350,000	(2,697,412)
1986	10,251,607	10,661,000	(409,393)
Total	$79,824,268	$111,884,000	($32,059,732)

1987 Development

Fiscal Accident-Year Ending	Developed Reserve At 6/86	Developed Reserve At 6/87	Reserve Redundency/ (Deficiency)
1976	$ 7,297,771	$ 7,412,000	($ 114,229)
1977	6,445,805	6,604,000	(158,195)
1978	6,248,771	6,375,000	(126,229)
1979	8,449,452	8,562,000	(112,548)
1980	10,238,881	10,902,000	(663,119)
1981	11,553,641	12,199,000	(645,359)
1982	18,551,984	19,252,000	(700,016)
1983	12,353,665	12,995,000	(641,335)
1984	9,087,710	9,572,000	(484,290)
1985	6,865,729	7,350,000	(484,271)
1986	10,251,607	10,661,000	(409,393)
Total	$107,345,016	$111,884,000	($4,538,984)

Exhibit 7B
New Hampshire Reserve Development

Inception to 12/86

Accident-Year	Original Reserve	Developed Reserve At 12/86	Reserve Redundency/ (Deficiency)
1976	Not Available	$ 3,363,910	
1977	Not Available	3,518,476	
1978	Not Available	8,513,537	
1979	Not Available	8,279,818	
1980	Not Available	9,981,608	
1981	$ 2,664,765	6,025,096	($3,360,331)
1982	6,565,788	7,082,688	(516,900)
1983	12,413,053	8,069,379	4,343,674
1984	9,245,517	8,611,075	634,442
1985	14,309,916	11,332,367	2,977,549
Total*	$45,199,039	$41,120,605	$4,078,434

* 1981-1985 only

1986 Development

Accident-Year	Developed Reserve At 12/85	Developed Reserve At 12/86	Reserve Redundency/ (Deficiency)
1976	$ 3,309,535	$ 3,363,910	($ 54,375)
1977	3,444,172	3,518,476	(74,304)
1978	7,658,600	8,513,537	(854,937)
1979	8,042,983	8,279,818	(236,835)
1980	8,422,646	9,981,608	(1,558,962)
1981	5,552,173	6,025,096	(472,923)
1982	6,842,444	7,082,688	(240,244)
1983	8,144,867	8,069,379	75,488
1984	10,649,576	8,611,075	2,038,501
1985	14,309,916	11,332,367	2,977,549
Total	$76,376,912	$74,777,954	$1,598,958

Exhibit 7C
New York Reserve Development

Inception to 12/86

Accident-Year	Original Reserve	Developed Reserve At 12/86	Reserve Redundency/ (Deficiency)
1975	$ 8,084,387	$ 26,489,746	($18,405,359)
1976	44,007,000	67,658,561	(23,651,561)
1977	13,614,000	54,711,322	(41,097,322)
1978	23,668,000	52,739,596	(29,071,596)
1979	40,633,000	63,579,337	(22,946,337)
1980	42,346,997	66,156,355	(23,809,358)
1981	49,079,674	74,270,781	(25,191,107)
1982	65,175,744	60,479,229	4,696,515
1983	56,309,053	63,456,848	(7,147,795)
1984	30,476,829	35,692,499	(5,215,670)
1985	127,759,152	126,825,508	933,644
Total	$501,153,836	$692,059,782	($190,905,946)

1986 Development

Accident-Year Ending	Developed Reserve At 12/85	Developed Reserve At 12/86	Reserve Redundency/ (Deficiency)
1975	$ 30,995,387	$ 26,489,746	$ 4,505,822
1976	74,381,025	67,658,561	6,722,464
1977	61,761,395	54,711,322	7,050,073
1978	60,779,479	52,739,596	8,039,883
1979	72,162,638	63,579,337	8,583,301
1980	74,500,998	66,156,355	8,344,643
1981	79,432,017	74,270,781	5,161,236
1982	63,898,700	60,479,229	3,419,471
1983	64,411,422	63,456,848	954,574
1984	30,993,498	35,692,499	(699,001)
1985	127,759,152	126,825,508	933,644
Total	$745,075,892	$692,059,782	$53,016,110

Exhibit 7D
Rhode Island Reserve Development

Inception to 12/86

Accident-Year	Original Reserve	Developed Reserve At 12/86	Reserve Redundency/ (Deficiency)
1976		Not Available	
1977		Not Available	
1978		Not Available	
1979		Not Available	
1980	$ 10,128,614	$ 20,088,500	($ 9,959,886)
1981	11,979,104	18,973,280	(6,994,176)
1982	18,373,088	27,696,332	(9,323,244)
1983	23,186,372	27,063,041	(3,876,669)
1984	35,545,996	30,265,087	5,280,909)
1985	49,424,676	41,345,909	8,078,767
Total	$148,637,850	$165,432,149	($16,794,299)

1986 Development

Accident-Year Ending	Developed Reserve At 12/85	Developed Reserve At 12/86	Reserve Redundency/ (Deficiency)
1976		Not Available	
1977		Not Available	
1978		Not Available	
1979		Not Available	
1980	$ 22,131,654	$ 20,088,500	$ 2,043,154
1981	20,800,775	18,973,280	1,827,495
1982	29,658,870	27,696,332	1,962,538
1983	33,415,608	27,063,041	6,352,567
1984	38,591,894	30,265,087	8,326,807
1985	49,424,676	41,345,909	8,078,767
Total	$194,023,477	$165,432,149	$28,591,328

Exhibit 7E
South Carolina Reserve Development

Inception to 9/86

Fiscal Accident-Year Ending	Original Reserve	Developed Reserve 9/86	Reserve Redundancy/ (Deficiency)
1976	$ 2,126,101	$ 2,603,948	($ 477,847)
1977	Not Available	2,095,852	
1978	Not Available	3,986,536	
1979	Not Available	3,653,092	
1980	3,737,827	5,119,514	(1,381,687)
1981	3,842,800	5,161,456	(1,318,656)
1982	3,869,282	6,150,558	(2,281,276)
1983	4,416,289	8,147,593	(3,731,304)
1984	5,021,646	7,456,239	(2,434,593)
1985	9,780,856	7,187,558	2,593,298
1986	11,369,569	8,828,585	2,540,984
Total*	$44,164,370	$50,655,451	($6,491,081)

* Total of years 1976, 1980-1986

Exhibit 7F
Texas Reserve Development

Inception to 12/86

Accident-Year	Original Reserve	Developed Reserve 12/86	Reserve Redundancy/ (Deficiency)
1976	$ 5,767,277	$ 5,221,059	$ 546,218
1977	9,211,976	9,089,105	122,871
1978	8,819,748	9,241,901	(422,153)
1979	6,451,681	10,455,859	(4,004,178)
1980	3,728,214	10,978,531	(7,250,317)
1981	3,380,338	8,370,758	(4,990,420)
1982	3,342,294	7,042,592	(3,700,298)
1983	3,944,716	8,439,717	(4,495,001)
1984	8,628,249	11,149,623	(2,521,374)
1985	23,864,797	23,864,797	0
Total	$77,139,290	$103,853,942	($26,714,652)

1986 Development

Accident-Year	Developed Reserve 12/85	Developed Reserve 12/86	Reserve Redundancy/ (Deficiency)
1976	$ 5,201,944	$ 5,221,059	($ 19,115)
1977	9,089,105	9,089,105	0
1978	9,362,503	9,241,901	120,602
1979	10,455,859	10,455,859	0
1980	9,625,278	10,978,531	(1,353,253)
1981	8,567,057	8,370,758	196,299
1982	7,042,592	7,042,592	0
1983	8,232,318	8,439,717	(207,399)
1984	11,149,623	11,149,623	0
1985	23,864,797	23,864,797	0
Total	$102,591,076	$103,853,942	($1,262,866)

Exhibit 8
Cumulative Payout Pattern

Year	Florida	New Hampshire	New York	Rhode Island	South Carolina*	Texas
0	0.7%	0.1%	0.3%	0.2%	1.0%	0.5%
1	6.8	3.5	0.7	2.6	6.8	3.8
2	25.1	16.2	1.8	7.0	23.0	16.0
3	49.7	29.9	4.6	17.6	41.7	27.5
4	72.1	43.8	9.7	29.7	64.6	44.4
5	83.7	55.8	16.7	43.9	78.3	61.3
6	92.6	65.0	24.0	55.3	84.4	71.0
7	96.8	71.5	33.9	65.6	89.3	76.8
8	98.8	76.1	43.2	77.3	95.2	80.4
9	100.0	78.6	51.3	80.6	99.2	82.9
10		80.5	59.4	84.0	100.0	86.0
11		82.2	66.2	87.6		89.5
12		84.1	74.6	91.0		93.0
13		86.3	78.2	94.4		96.5
14		88.7	81.3	100.0		98.2
15		91.3	84.5			100.0
16		93.8	88.1			
17		96.1	92.6			
18		97.9	96.5			
19		99.1	98.8			
20		99.6	100.0			
21		100.0				
Median Payout Term-Years	3.0	4.6	8.8	5.5	3.4	4.3

* Fiscal year ending June 1986

Exhibit 9A

Florida Payout Pattern as Cumulative Percent of Total Incurred

				Fiscal Accident Year Ending	
Calendar Year	1978	1979	1980	1981	1982
0	1.0%	0.7%	1.3%	0.7%	0.5%
1	8.5	5.7	8.2	6.9	4.3
2	31.9	22.7	28.8	19.3	17.5
3	50.6	54.1	51.1	40.0	52.1
4	74.9	72.2	72.2	58.3	66.1
5	89.6	81.7	84.2	69.2	81.1
6	94.6	89.6	93.9	84.1	90.2
7	98.2	93.6	97.5	93.5	96.0
8	98.8	97.8	99.1	97.8	98.6
9	100.0	100.0	100.0	100.0	100.0
Median in Years	3.0	2.9	3.0	3.5	2.9

Calendar Year	1983	1984	1985	1986	Average
0	1.1%	0.0%	0.4%	0.4%	0.7%
1	8.9	4.3	4.3	8.2	6.8
2	26.0	14.3	25.1	28.2	25.1
3	39.1	41.5	48.9	51.0	49.7
4	69.4	70.6	74.3	75.3	72.1
5	82.9	83.6	85.7	86.3	83.7
6	91.2	91.5	92.6	92.9	92.6
7	96.4	96.5	97.0	97.1	96.8
8	98.8	98.8	99.0	99.0	98.8
9	100.0	100.0	100.0	100.0	100.0
Median in Years	3.4	3.3	3.0	3.0	3.0

Exhibit 9B
New Hampshire Payout Pattern as Cumulative Percent of Total Incurred

	Accident Year							
Calendar Year	**1980**	**1981**	**1982**	**1983**	**1984**	**1985**	**1986**	**Average**
0	0.0%	0.1%	0.4%	0.2%	0.0%	0.0%	0.0%	0.1%
1	0.8	11.6	3.6	2.0	0.6	0.4	5.6	3.5
2	18.1	17.9	12.7	13.9	15.2	15.4	19.9	16.2
3	27.6	23.1	26.0	34.9	31.1	31.3	35.0	29.9
4	41.4	35.9	38.1	49.4	46.2	46.4	49.4	43.8
5	45.9	48.6	53.9	61.7	59.1	59.4	61.7	55.8
6	57.2	60.2	64.2	69.5	67.2	67.5	69.4	65.0
7	65.4	68.2	71.4	74.9	72.8	73.1	74.8	71.5
8	71.3	73.9	76.5	78.8	76.8	77.1	78.6	76.1
9	74.4	77.1	79.2	80.8	78.8	79.2	80.6	78.6
10	76.8	79.6	81.3	82.3	80.4	80.8	82.2	80.5
11	79.0	81.6	83.2	83.8	82.0	82.3	83.6	82.2
12	81.3	83.7	85.1	85.5	83.8	84.2	85.3	84.1
13	83.8	86.0	87.1	87.4	86.0	86.3	87.3	86.3
14	86.7	88.5	89.4	89.6	88.4	88.7	89.5	88.7
15	89.8	91.1	91.9	92.0	91.1	91.3	91.9	91.3
16	92.7	93.7	94.2	94.3	93.7	93.8	94.3	93.8
17	95.4	96.0	96.3	96.4	96.0	96.1	96.4	96.1
18	97.5	97.8	98.0	98.1	97.8	97.9	98.0	97.9
19	99.0	99.1	99.2	99.2	99.1	99.1	99.2	99.1
20	99.6	99.6	99.6	99.7	99.6	99.6	99.6	99.6
21	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	5.9	5.1	4.8	4.1	4.3	4.3	4.0	4.6

Exhibit 9C
New York Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year												
	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	Average
0	0.0%	0.6%	0.1%	0.0%	0.3%	0.3%	0.4%	0.5%	0.6%	0.9%	0.1%	0.1%	0.3%
1	0.6	1.1	0.7	0.7	0.8	0.7	0.7	0.7	0.9	1.2	0.2	0.2	0.7
2	1.9	2.5	2.5	2.2	2.2	1.8	1.8	1.5	2.0	2.1	0.7	0.5	1.8
3	4.1	8.1	7.8	5.9	5.6	4.2	3.5	3.7	3.9	5.7	1.7	1.1	4.6
4	11.7	14.9	11.0	13.5	13.0	10.1	7.3	7.4	10.1	11.8	3.2	1.9	9.7
5	17.5	23.3	18.6	19.1	21.1	17.3	11.1	14.9	17.4	19.0	11.2	10.1	16.7
6	24.4	29.5	25.3	27.0	26.7	23.2	19.6	22.8	25.1	26.5	19.5	18.5	24.0
7	31.9	37.3	40.5	36.6	31.3	34.5	30.6	33.0	35.0	36.2	30.3	29.3	33.9
8	49.5	45.8	49.4	41.2	42.0	44.0	39.7	41.6	43.3	44.4	39.3	38.5	43.2
9	54.9	53.2	53.8	51.9	52.1	53.0	48.5	49.8	51.3	52.2	48.0	47.2	51.3
10	64.7	57.7	65.8	62.5	61.8	61.4	56.0	56.8	58.0	58.8	55.3	54.7	59.4
11	68.2	72.3	75.0	70.7	69.2	67.7	61.7	62.0	63.0	63.7	60.9	60.3	66.2
12	89.1	88.0	84.8	79.2	76.9	74.1	67.4	67.1	67.9	68.5	66.3	65.8	74.6
13	90.6	89.7	87.0	82.1	80.2	77.7	71.9	71.7	72.4	72.9	71.0	70.6	78.2
14	92.0	91.2	88.8	84.7	83.0	80.9	75.9	75.7	76.3	76.8	75.1	74.7	81.3
15	93.4	92.7	90.8	87.3	85.9	84.2	80.1	79.9	80.5	80.8	79.5	79.2	84.5
16	94.9	94.4	92.9	90.3	89.2	87.9	84.7	84.6	85.0	85.3	84.3	84.0	88.1
17	96.8	96.5	95.6	93.9	93.3	92.4	90.5	90.4	90.6	90.8	90.2	90.1	92.6
18	98.5	98.4	97.9	97.2	96.8	96.5	95.5	95.5	95.6	95.7	95.4	95.4	96.5
19	99.5	99.4	99.3	99.0	98.9	98.8	98.5	98.4	98.5	98.5	98.4	98.4	98.8
20	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	8.1	8.6	8.1	8.8	8.8	8.7	9.2	9.0	8.8	8.7	9.3	9.4	8.8

Exhibit 9D

Rhode Island Payout Pattern as Cumulative Percent of Total Incurred

Calendar Year	Accident Year 1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	Average
0	0.3%	0.2%	0.2%	0.1%	0.4%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
1	1.7	0.5	0.8	1.0	1.8	1.0	7.1	1.6	8.0	0.7	4.1	2.6
2	4.4	2.8	2.5	3.6	14.8	4.3	13.3	8.7	10.8	4.0	7.4	7.0
3	10.3	5.1	13.6	19.1	30.5	17.6	21.9	11.5	24.3	18.4	21.3	17.7
4	20.1	9.8	20.5	41.0	48.6	26.5	28.5	26.9	37.5	32.6	34.9	29.2
5	22.4	31.4	32.2	70.6	56.3	44.5	42.7	40.8	49.2	45.3	47.3	43.5
6	41.0	40.9	56.8	72.6	59.1	55.9	54.4	53.0	59.7	56.5	58.1	55.0
7	62.4	64.5	58.3	79.1	67.3	64.6	63.5	62.3	67.6	65.8	66.3	65.4
8	80.7	66.5	65.5	87.1	79.9	78.2	77.5	76.8	80.0	78.5	79.2	77.2
9	80.1	69.8	71.3	89.6	83.7	82.0	81.4	80.7	83.3	82.0	82.6	80.5
10	80.3	75.8	76.9	91.6	86.9	85.5	85.1	84.4	86.5	85.4	86.0	84.0
11	85.3	81.2	82.0	93.4	89.8	88.7	88.4	87.8	89.5	88.6	89.0	87.6
12	89.5	86.3	86.9	95.2	92.6	91.8	91.6	91.2	92.4	91.7	92.0	90.9
13	93.5	91.4	91.8	97.0	95.4	94.9	94.8	94.5	95.2	94.8	95.0	94.4
14	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	6.4	6.4	5.8	4.3	4.2	5.5	5.6	5.8	5.1	5.7	5.3	5.6

Exhibit 9E
South Carolina Payout Pattern as Cumulative Percent of Total Incurred

	Accident Year											
Calendar Year	**1975**	**1976**	**1977**	**1978**	**1979**	**1980**	**1981**	**1982**	**1983**	**1984**	**1985**	**Average**
0	0.1%	0.3%	4.9%	0.2%	1.5%	0.1%	1.5%	0.1%	0.3%	0.2%	1.3%	1.0%
1	8.8	7.7	11.7	2.7	7.9	2.0	5.7	5.8	5.4	9.9	7.0	6.8
2	12.2	22.0	26.0	18.4	22.5	20.5	29.7	28.2	22.9	26.6	24.2	23.0
3	23.2	49.3	53.3	29.0	35.6	48.7	43.8	44.7	42.2	45.2	43.2	41.7
4	40.5	60.0	72.6	58.2	71.3	69.8	69.6	67.9	66.2	68.0	66.9	64.6
5	46.7	73.9	82.7	83.4	81.9	83.8	82.7	81.9	80.9	81.9	81.3	78.3
6	61.0	82.9	87.8	87.5	89.2	87.8	87.0	86.5	85.7	86.5	86.0	84.4
7	76.0	87.5	90.6	89.3	92.8	91.9	91.4	91.0	90.4	91.0	90.7	89.3
8	96.0	90.5	96.3	94.7	96.4	95.9	95.7	95.5	95.2	95.5	95.3	95.2
9	100.0	98.6	99.5	99.0	99.3	99.2	99.2	99.1	99.1	99.1	99.1	99.2
10	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	5.2	3.1	2.9	3.7	3.4	3.1	3.2	3.2	3.3	3.2	3.3	3.4

Exhibit 9F
Texas Payout Pattern as Cumulative Percent of Total Incurred

	Accident Year											
Calendar Year	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	Average
0	0.2%	3.4%	0.1%	0.0%	0.0%	0.3%	0.5%	0.0%	0.1%	0.3%	0.3%	0.5%
1	5.1	8.1	2.6	0.7	4.8	2.4	6.1	0.8	2.6	7.9	1.3	3.8
2	18.7	13.3	4.8	15.1	12.3	18.2	18.3	17.5	20.1	21.8	16.2	16.0
3	28.0	22.2	12.8	27.3	26.7	29.9	40.7	28.0	29.6	31.1	26.2	27.5
4	51.9	32.0	20.5	32.4	43.0	53.8	62.4	47.2	48.6	49.7	46.1	44.4
5	66.6	43.5	44.8	37.4	54.5	59.0	79.8	71.8	72.4	73.0	71.1	61.3
6	74.4	51.7	47.6	60.6	59.8	73.1	86.8	81.5	81.9	82.3	81.0	71.0
7	76.9	57.4	53.2	69.8	70.4	80.2	90.3	86.4	86.7	87.0	86.0	76.8
8	77.4	66.4	63.0	74.2	74.6	83.0	91.6	88.3	88.6	88.8	88.0	80.4
9	77.6	67.9	69.2	78.5	78.8	85.9	93.0	90.3	90.5	90.7	90.0	82.9
10	78.1	74.3	75.3	82.8	83.1	88.7	94.4	92.2	92.4	92.6	92.0	86.0
11	83.6	80.7	81.5	87.1	87.3	91.5	95.8	94.2	94.3	94.4	94.0	89.5
12	89.1	87.2	87.7	91.4	91.5	94.3	97.2	96.1	96.2	96.3	96.0	93.0
13	94.5	93.6	93.8	95.7	95.8	97.2	98.6	98.1	98.1	98.1	98.0	96.5
14	97.3	96.8	96.9	97.8	97.9	98.6	99.3	99.0	99.0	99.1	99.0	98.2
15	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median in Years	3.9	5.8	6.4	5.5	4.1	3.8	3.4	4.1	4.1	4.0	4.2	4.3

Exhibit 10

Discounted Reserves

Year-End 1986	Florida	Kansas(1)	Massachusetts(2)	New Hampshire	New York
Invested Assets	$47,107,399	$5,780,445	$344,373,404	31,763,343	394,296,774
Discounted Reserves	42,939,860	3,425,296	709,625,912	38,072,792	526,765,868
Difference	4,167,539	2,355,149	(365,252,508)	(6,309,449)	(132,469,094)

Year-End 1986	Pennsylvania(3)	Rhode Island	South Carolina(1)	Texas	Wisconsin(4)
Invested Assets	$52,070,239	$70,805,324	$19,364,743	75,648,827	70,673,067
Discounted Reserves	49,169,991	151,960,844	22,912,118	68,234,177	70,546,924
Difference	2,900,248	(81,155,520)	(3,547,375)	7,414,650	126,143

(1) Fiscal year ending 6-30-86
(2) Discounted 1986 reserve assuming Rhode Island runoff
(3) Statutory reserve discounted at 6%
(4) Discounted at 7.5%

Exhibit 11
Current Invested Assets vs. Reserve Runoff

	New Hampshire		Rhode Island		South Carolina		New York	
Year	**Estimated Paid**	**Invested Assets**	**Estimated Paid**	**Invested Assets**	**Estimated Paid**	**Invested Assets**	**Estimated Paid**	**Invested Assets**
1986		31,763,343		$70,805,324		$19,364,743		394,296,774
1987	$ 8,352,341	24,631,568	$ 24,767,818	49,052,810	6,613,602	13,754,604	$ 59,123,046	351,664,566
1988	8,276,921	18,284,048	27,875,137	25,444,543	6,659,888	8,557,153	56,841,397	324,853,927
1989	7,011,362	12,704,882	30,424,206	(2,766,363)	5,492,701	3,974,277	47,912,246	304,682,916
1990	5,628,411	8,071,649	27,675,907	0	4,318,580	78,256	51,710,817	278,990,811
1991	4,233,073	4,470,832	23,471,568	0	2,596,681	(2,510,105)	76,303,665	226,511,853
1992	3,017,073	1,803,961	18,885,304	0	1,451,790	0	74,881,876	170,973,190
1993	2,335,986	(390,726)	15,982,665	0	1,100,394	0	79,106,799	106,466,823
1994	1,903,349	0	13,573,235	0	749,172	0	68,932,821	46,625,846
1995	1,628,343	0	7,688,552	0	399,656	0	64,359,049	(13,751,541)
1996	1,567,084	0	7,049,365	0	79,676	0	55,451,333	0
1997	1,537,300	0	5,890,924	0	0	0	46,637,784	0
1998	1,490,882	0	4,771,634	0	0	0	44,006,666	0
1999	1,401,292	0	4,087,419	0	0	0	38,793,771	0
2000	1,259,734	0	2,676,737	0	0	0	33,861,730	0
2001	1,096,903	0	0	0	0	0	32,310,136	0
2002	877,939	0	0	0	0	0	31,847,893	0
2003	658,555	0	0	0	0	0	33,408,039	0
2004	436,821	0	0	0	0	0	26,063,289	0
2005	245,065	0	0	0	0	0	14,444,317	0
2006	106,445	0	0	0	0	0	6,602,439	0
2007	47,057	0	0	0	0	0	0	0
Remaining Liability	$14,600,432		$134,519,673		$6,290,793		$377,178,938	

Exhibit 12A

Florida Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	20.9%	20.9%	7-9-78
1979	-24.8%	-24.8%	5-28-79
1980	-25.0%	-25.0%	5-15-80
1981	10.0%	10.0%	6-29-81
1982	30.4%	30.4%	9-9-82
1983	25.4%	25.4%	6-28-83
1984	77.6%	77.6%	6-1-84
1985	46.4%	46.4%	7-1-85
1986	20.0%	10.0%	6-29-86

Florida Rate Filings for Hospitals and Other Facilities

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	-8.6%	-8.6%	7-9-78
1979	-19.6%	-19.6%	5-28-79
1980	-25.0%	-25.0%	5-15-80
1981	17.3%	17.3%	6-29-81
1982	29.5%	29.5%	9-9-82
1983	50.4%	50.4%	6-28-83
1984	41.4%	41.4%	6-1-84
1985	6.2%	6.2%	7-1-85
1986	99.0%	45.0%	6-29-86

Exhibit 12B

Massachusetts Rate Filings for Physicians and Surgeons*

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977		7.3%	
1978		0.0%	
1979		0.0%	
1980		10.0%	
1981		0.0%	
1982		9.1%	
1983	162.0%	42.0%	5-18-84 Appealed
1983 Supplement	188.0%	68.1%	6-11-86
1984	41.6%	10.9%	6-11-86
1985	71.1%	23.6%	3-4-87
1986	10.3%	8.7%	3-4-87

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* Amount requested and final decision date not reported for 1977-1982

Exhibit 12C
New Hampshire Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	NO ACTIVITY		
1979	NO ACTIVITY		
1980	45.0%	45.0%	6-24-80
1981	50.0%	50.0%	6-2-81
1982	70.0%	70.0%	6-9-82
1983	30.0%	30.0%	6-83
1984	Basic 5.1%	5.1%	6-13-84
	Excess 15.0%	15.0%	6-13-84
1985	NO ACTIVITY		
1986	9.3%	0.0%	9-86

Exhibit 12D
New York Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	90.0%	15.5%	6-77
1978	98.0%	Disapproved	6-78
1979	104.0%	Disapproved	6-79
1980	186.0%	Disapproved	6-80
1981	210.0%	58.5%	10-81
1982	243.0%	15.0%	12-82
1983	180.0%	83.3%	1-85
1984	62.0%	52.3%	1-85
1985	128.0%	14.0%	7-86
1986	135.0%	9.0%	Pending

Exhibit 12E
Rhode Island Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	34.1%		No hearing
1979	9.7%	9.7%	6-27-79
1980	25.3%		Withdrawn
1981	Basic 7.4%		
	Excess 12.7%		
	Total 21.0%	12.7%	6-17-81
1982	Basic 41.3%	23.1%	6-23-82
1983	Basic 43.3%	24.0%	6-30-83
	Excess 24.7%		
1984	Basic 44.6%	11.5%	6-27-84
	Excess 25.9%	16.7%	
1985	Basic 101.3%	30.0%	6-28-85
	Excess 14.8%	14.8%	
	Total 131.3%		
1986	Total 91.4%	36.1%	7-1-87

Exhibit 12F
South Carolina Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	Physicians	50.0%	50.0%	7-1-77
1978	Hospital	133.0%	133.0%	7-1-78
1979		NO ACTIVITY		
1980		NO ACTIVITY		
1981	Physicians	40.0%	40.0%	7-1-81
1982		NO ACTIVITY		
1983	Physicians	25.0%	25.0%	7-1-83
	Hospital	20.0%	20.0%	7-1-83
1984		NO ACTIVITY		
1985	Physicians	25.0%	25.0%	1-1-85
	Hospital	40.0%	40.0%	1-1-85
1986	Physicians	25.0%	25.0%	1-9-86
	Hospital	45.0%	45.0%	1-9-86

Exhibit 12G
Texas Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1979	NO ACTIVITY		
1980	NO ACTIVITY		
1981	50.0% (A)	Disapproved	4-16-81
1982	NO ACTIVITY		
1983	263.0% (B)	263.0%	11-10-83
1984	NO ACTIVITY		
1985	50.0% (C)	50.0%	5-21-85
	50.0% (D)	50.0%	10-29-85
1986	156.3% (E)	104.7%	8-1-86
	161.9% (F)	109.9%	8-1-86

(A) Hospital
(B) Dentists and oral surgeons
(C) Physicians, surgeons, hospitals, and other institutions
(D) Podiatrists
(E) Physicians and other non-institutional health care providers
(F) Hospitals and other institutional health care providers

Exhibit 12H
Wisconsin Rate Filings for Physicians

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	51.5%	35.0%	7-1-84
1985	69.6%	69.6%	7-1-85
1986	32.2%	32.2%	7-1-86

Wisconsin Rate Filings for Hospitals

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	67.2%	49.0%	7-1-84
1985	52.4%	52.4%	7-1-85
1986	51.4%	51.4%	7-1-86

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